

The logo for Empired, featuring the word "Empired" in a bold, italicized, black sans-serif font. The letter "i" has a white dot. The logo is positioned in the top right corner of the page, set against a bright yellow background that tapers into the main image.

Empired

The text "Annual Report 2019" is written in a yellow, sans-serif font. It is located in the bottom left corner of the page, overlaid on a dark blue, textured background that also contains the company name and ABN.

Annual Report 2019

The text "EMPIRED LIMITED | ABN 81 090 503 843" is written in a white, sans-serif font. It is located in the bottom left corner of the page, overlaid on the same dark blue, textured background as the title above it.

EMPIRED LIMITED | ABN 81 090 503 843

Corporate Directory

Directors

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

Company Secretary

David Hinton

Registered Office

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

Company Number

A.C.N: 090 503 843

Country of Incorporation

Australia

Company Domicile and Legal Form

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

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

Website

www.empired.com

ASX Code

EPD

Principal Places of Business

Perth

Level 7, The Quadrant
1 William Street
Perth WA 6000

Melbourne

Level 5
257 Collins Street
Melbourne VIC 3000

Seattle

2010 156th Ave NE
Suite 210
Bellevue, WA, 98007
USA

Adelaide

Level 2
8 Leigh Street
Adelaide SA 5000

Brisbane

Level 11
79 Adelaide Street
Brisbane QLD 4000

Sydney

Level 12
9 Hunter Street
Sydney NSW 2000

Wellington

Level 4,
89 Willis Street
Wellington 6011

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Chairman & CEO Review



Thomas Stianos
NON-EXECUTIVE CHAIRMAN



Russell Baskerville
MANAGING DIRECTOR & CEO

To our fellow Shareholders,

On behalf of your board of directors, we present the Empired Limited 2019 annual report, in what has been a challenging year for our business. We are however confident in the company's outlook and management and the Board are focused on executing a plan to improve operating performance and deliver value to our shareholders.

Empired Limited's financial results for the year ended 30 June 2019 are in line with our guidance provided on 2 July 2019 with revenue of \$176m and Underlying Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) of \$15.3m⁽¹⁾. Reported Net Profit After Tax (NPAT) was a loss of \$15.3m, including a non-cash impairment charge of \$25.4m. Net Debt at 30 June 2019 was \$14.3m and is expected to decline materially throughout the course of FY20 (prior to the adoption of AASB 16 Leases).

The non-cash impairment charge predominately relates to software assets that are now being superseded through new technologies and changes in market trends.

A comprehensive review has been undertaken with clear priorities and targets set for the FY20 financial year to deliver much improved operational performance. This has included a review of the balance sheet, capital management, operating costs, and investment in sales growth. We are committed to deliver revenue growth whilst reducing overhead expenses and achieving a significant reduction in capital expenditure. These improvements will reduce net

debt through improved cash flows and profit. A significant reduction in Capital Expenditure will also lead to lower depreciation and amortisation expense which in turn will improve Net Profit After Tax. This combined with an active share buy-back will provide a sound framework for increased earnings per share.

Management are focused on the execution of this plan, having already commenced and actioned a number of activities which will continue over the coming year.

Empired is well placed to benefit from the continued growth in the Information Technology sector especially with the growing trends that are today dominated by the adoption of technology to support business growth and transformation. Our aspiration is to be the digital solutions partner of choice across Australia & New Zealand consistently delivering innovation and business value to our clients underpinned by strong financial performance.

Empired is confident of the success of our SaaS based Cohesion platform. Cohesion is Empired's proprietary cloud-based system for the provision of Enterprise Content and Collaboration Management (ECCM) and is the leading platform for delivery of these services to the New Zealand Government. During the year Empired grew Cohesion SaaS users from 7,000 to 11,500 on the back of a major contract win with Oranga Tamariki (OT) – Ministry for Children. We are now providing a range of additional services to OT and expect the relationship to continue to grow in FY20.

We have invested in the development of Cohesion on the Microsoft Azure platform and Office365 platform in readiness for its launch in Australia. We have established a dedicated software sales function in Australia and developed a solid pipeline of Cohesion opportunities that we will contest in the near term.

We have a strong relationship with Microsoft, where we are highly respected and considered the leading consulting partner across Australia and New Zealand. During the year Empired's Microsoft Dynamics business performed strongly, up 20% in Australia and up 10% in NZ (up 30% half on half in NZ) and is Empired's highest margin business.

We have had a period of solid growth across the Australian East Coast, where we have delivered around 10% growth year on year for the 3 years up to the end of FY18. FY19 growth was modest, up only 2% however we are confident that a range of growth initiatives being implemented now will re-ignite our expansion in the Australian East Coast.

A highlight of the New Zealand performance was a new, \$10m+ contract with the Department of Internal Affairs (DIA) in New Zealand. The contract involves Empired working with DIA to re-imagine how New Zealand citizens access government services in a secure online system, to build the system and then to run and enhance it for up to seven years. DIA today is one of Empired's largest clients.

During the year 63% of revenue was either recurring in nature or was generated from multi-year contracts. This provides a stable, predictable base of revenue at the start of each financial year improving our predictability and significantly enhancing our year on year growth prospects. These revenues improve the defensive nature of our business because our clients continue to rely on Empired to run and maintain their business-critical technology assets during periods of low investment.

Throughout the year we have invested in our managed services offerings to capitalise on the rapid adoption of cloud technologies. We have seen dramatic changes in the nature of our client's technology environments and the way in which they consume software and services. We are confident that these investments ensure that we have a modern solution that meets today's needs of our clients.

Our pipeline of large multi-year contracts is very healthy, and we will be competing on approximately \$200m in strategic opportunities throughout FY20. We have invested in the right assets and have positioned Empired to compete and win in this market. Accordingly, we expect that we will capture our share of the market and deliver long term growth.

Our recent actions and renewed focus on operational improvement are an important reset in the company direction and establishes a strong platform from which to execute much improved operational performance.

We believe that growth combined with overhead cost reductions and improved cash generation will deliver shareholders an attractive investment proposition and create sustainable value in both the short and long term.

We along with our board and leadership team would like to thank all of our staff, clients and shareholders for their support in our pursuit of building a highly respected and successful company.

Yours faithfully

Thomas Stianos
NON-EXECUTIVE CHAIRMAN

Russell Baskerville
MANAGING DIRECTOR & CEO

(1) FY19 EBITDA Underlying of \$15.3m is a non AIFRS number that is reconciled to the reported result in note 3.

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 2019.



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

Thomas Stianos

Non-Executive Chairman - Age 65

Mr Stianos joined the board as a Non-Executive on 29 November 2016 and was appointed Chairman on 1 July 2018. Mr Stianos is widely recognised as one of the most successful and experienced leaders in the IT industry. He is also a member of the Remuneration and Nomination Committee. Mr Stianos was previously the Managing Director of SMS Management & Technology Limited.

He has also previously held senior positions with the Department of Premier and Cabinet, Department of Justice, and Department of Treasury & Finance. Mr Stianos holds a Bachelor of Applied Science from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.

Other current directorships of listed entities

- Gale Pacific Limited

Previous directorships (last 3 years)

- Inabox Group Limited

Russell Baskerville

Managing Director & CEO - Age 41

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.

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.

Previous directorships of listed entities (last 3 years)

- None

Richard Bevan

Non-Executive Director - Age 53

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 is also a member of the Audit and Risk Committee and the Remuneration and Nomination Committee. Mr Bevan brings experience in the execution and integration of mergers, acquisitions and other major corporate transactions.

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.

Other current directorships of listed entities

- Cassini Resources Limited

John Bardwell

Non-Executive Director - Age 59

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. Mr Bardwell is Chairman of the Audit and Risk Committee.

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.

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.

Previous directorships of listed entities (last 3 years)

- None

Cristiano Nicolli

Non-Executive Director - Age 65

Mr Nicolli joined the Board on 22 October 2018.

Mr Nicolli has had extensive career as an influential leader and successful businessman in the technology sector, he has extensive corporate and ASX listed company experience, and is a sought after non-executive director. Mr Nicolli is the Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee. He was the Group Managing Director and CEO of UXC Limited from 2003 to 2016 when UXC Limited was sold to global IT firm CSC.

During that time Mr Nicolli was instrumental in leading the growth and development of UXC to delivering revenue of \$750m, employing 3,000 staff and being widely recognised as the largest and one of the most respected ASX listed IT company's in Australia.

Mr Nicolli is also a non-executive director of ASX/ NZX listed Vista Group International Limited (VGL) a global market leader that provides software solutions across the global film industry and ASX listed Otherlevels Holdings Limited (OLV).

Mr Nicolli is also Treasurer of NFP Charity Kadasig Aid and Development.

Mr Nicolli is a Fellow of the Australian Institute of Company Directors (FAICD), a past member of the New Zealand Society of Accountants and holds a Bachelor of Management & Business Studies.

Other current directorships of listed entities

- Vista Group International Limited
- Otherlevels Holdings Limited

Previous directorships of listed entities (last 3 years)

- UXC Limited

COMPANY SECRETARY**David Hinton**

CFO & Company Secretary - Age 56

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 & Young.

Mr Hinton holds a Bachelor of Business degree, is a Fellow of the Institute of Chartered Accountants, 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. Mr Hinton is a non-executive director of ASX listed Heramed Limited and a Flag Officer of Royal Perth Yacht Club Inc.

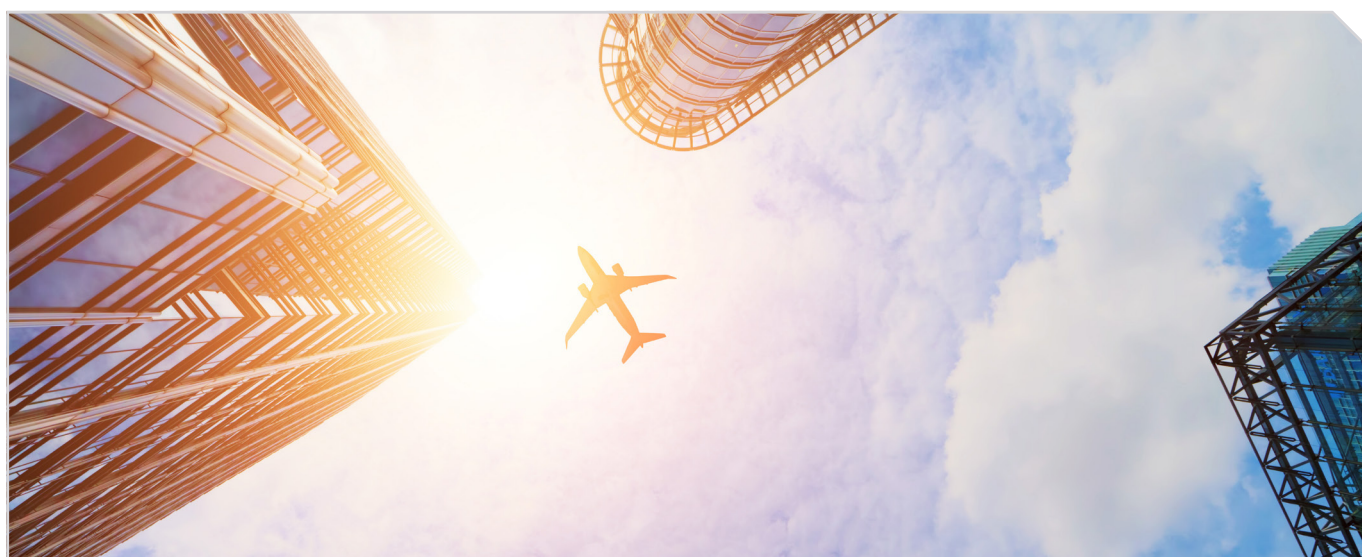
DIRECTORS' MEETINGS

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

Name of Director	No. of Directors Meetings held while a Director	No. of Meetings Directors attended as a Director during the year ended 30 June 2019	No. of Audit Committee Meetings held while a Director	No. of Audit Committee meetings attended during the year ended 30 June 2019
Russell Baskerville	12	12	2	2
Thomas Stianos	12	12	2	2
Richard Bevan	12	12	2	2
John Bardwell	12	12	2	2
Cristiano Nicolli	7	7	1	1
Chris Ryan	5	4	1	1

Name of Director	No. of Remuneration and Nomination committee meetings held during the year ended 30 June 2019	No. of Remuneration and Nomination Committee meetings attended during the year ended 30 June 2019	No. of Audit and Risk Committee meetings held during the year ended 30 June 2019	No. of Audit and Risk Committee meetings attended during the year ended 30 June 2019
Russell Baskerville	-	-	-	-
Thomas Stianos	2	2	-	-
Richard Bevan	2	2	1	1
John Bardwell	-	-	1	1
Cristiano Nicolli	2	2	1	1
Chris Ryan	-	-	-	-

On 14 February 2019 the Audit and Risk Committee was established, that superceded the Audit Committee. Also on this date, a Remuneration and Nomination Committee was formed.



OPERATING AND 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 approximately 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 1% to \$176m.

Earnings before interest, tax depreciation and amortisation (EBITDA Underlying) for the financial year decreased to \$15.3m from \$17.0m.

The net loss after tax of (\$15.3m) included a non-cash impairment charge of \$25.4m. The non-cash impairment charge was as a result of a review of the carrying value of assets.

The financial results are summarised in the following table:

\$m	1H 19	2H 19	2019	2018
Revenue	88.6	87.4	176.0	174.3
EBITDA Underlying	8.2	7.1	15.3	17.0
Depreciation & amortisation	(4.4)	(4.1)	(8.5)	(8.2)
EBIT	3.8	3.0	6.8	8.8
Interest (net)	(0.6)	(0.8)	(1.4)	(1.3)
Net profit before tax	3.2	2.2	5.4	7.5
Impairment losses	-	(25.4)	(25.4)	-
Once off costs	-	(1.5)	(1.5)	(0.6)
Result before tax	3.2	(24.6)	(24.6)	6.9
Income tax	(1.0)	7.0	6.0	(2.0)
Net profit/ (loss) after tax	2.2	(17.5)	(15.3)	4.9
EBITDA Underlying/ Revenue %	9.3%	8.1%	8.7%	9.8%
Basic EPS (cents)			(9.56)	3.06

Operating results by Segment

\$m	1H 19	2H 19	2019	2018
Revenue				
Australia	60.4	56.1	116.5	116.7
New Zealand	28.8	32.1	60.9	59.2
Inter-segment	(0.6)	(0.8)	(1.4)	(1.6)
Segment Revenue	88.6	87.4	176.0	174.3
EBITDA Underlying				
Australia	5.0	3.5	8.4	11.1
New Zealand	3.2	3.6	6.8	5.4
Segment EBITDA Underlying	8.2	7.1	15.3	16.5

For the financial year ended 30 June 2019 the Australian segment decreased revenue by 0.15% to \$116.5m and recorded a Segment EBITDA Underlying of \$8.4m. The revenue for the New Zealand segment increased by 3% to \$60.9m and reported a Segment EBITDA Underlying of \$6.8m.

Cash flow

The following table summarises the cash flow for the financial year ended 30 June 2019:

\$m	1H 19	2H 19	2019	2018
EBITDA Underlying	8.2	7.1	15.3	17.0
Non cash items	0.5	0.1	0.6	(0.2)
Tax paid	(0.4)	(0.5)	(0.9)	(0.8)
Working capital and once off items	(7.6)	1.1	(6.5)	(0.5)
Operating cash flow	0.7	7.8	8.5	15.5
Interest paid (net)	(0.7)	(0.6)	(1.3)	(1.4)
Purchases of P&E and intangibles	(5.6)	(5.2)	(10.8)	(8.9)
Repayment of borrowings	(2.1)	(7.4)	(9.5)	(4.4)
Proceeds from borrowings	1.0	4.3	5.3	13.4
Change in cash	(6.7)	(1.1)	(7.8)	14.2

Operating cash flow for the financial year ended 30 June 2019 was \$8.5m compared to \$15.5m the previous financial year. The adverse variance is attributable to lower profitability and adverse capital movements.

Payments for the purchases of plant & equipment and intangibles increased from \$8.9m to \$10.8m.

Financial position and capital structure

The balance sheet as at 30 June 2019 is summarised below:

\$m	JUNE 2019	DEC 2018	JUNE 2018
Cash	5.6	6.7	13.4
Receivables and WIP	35.1	35.5	36.0
Other	2.3	2.1	2.4
Current Assets	42.9	44.3	51.7
Plant & Equipment	6.2	15.4	16.9
Intangibles and other	59.7	67.7	64.7
Non Current Assets	65.9	83.0	81.6
Trade and other payables	16.7	15.9	22.7
Borrowings	2.4	2.2	2.4
Provisions and other	8.1	7.6	8.6
Current Liabilities	27.2	25.7	33.7
Borrowings	17.4	19.9	20.3
Other	2.3	2.6	3.0
Non Current Liabilities	19.7	22.6	23.3
Net Assets / Equity	61.9	79.1	76.4
Net debt (Nd)	14.3	15.4	9.3
Gearing (Nd/(Nd+Equity))	19%	16%	11%

Net debt increased during the financial year from \$9.3m to \$14.3m with gearing increasing from 11% to 19%.

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 (2018: 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 1,586,000 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

An impairment charge of \$25,352,785 was made during the financial year leading the company to record a net loss after tax of \$15,311,847, a reduction in total equity from \$76,375,298 to \$61,921,491 as at 30 June 2019.

Auditor

The lead auditor's Independence Declaration for the year ended 30 June 2019 has been received and can be found on page 60 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 \$22,768 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 significant 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 2019 ("FY19"). 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 and retain high calibre executives;
- Link executive rewards to shareholder value;
- Have a material 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 net loss after tax of \$15.3m for the year ended 30 June 2019 compared to a net profit after tax of \$4.9m in the previous financial year. Earnings per share decreased 24% to (9.56) 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 2019 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 Remuneration and Nomination Committee and 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 paid 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. In respect to the 2019 financial year no STI will be paid to Key Management Personnel.

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 objective of creating 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, 2,321,000 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 end of the financial year.

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

- Basic Earnings per Share (EPS) adjusted for any abnormal costs or transaction costs due to its sensitive nature, EPS targets are disclosed retrospectively should the Performance Rights vest.
- Return on Equity (ROE), a measure of the net profit after tax for the financial year ended 30 June 2021 divided by total equity as at 30 June 2021. Due to its sensitive nature, ROE targets are disclosed retrospectively should the Performance Rights vest.
- Absolute Total Shareholder Return is measured over the period 1 July 2018 to 30 June 2021.

Number	Performance Measures	% Vesting ⁽¹⁾	Vesting Dates
928,400	FY 2021 Basic		1 September 2021
	Below Threshold	0%	
	Threshold achieved	50%	
	Target achieved	100%	
	Stretch achieved	150%	
464,200	FY 2021 Return on Equity		1 September 2021
	Below Threshold	0%	
	Threshold achieved	50%	
	Target achieved	100%	
	Stretch achieved	150%	
928,400	Absolute TSR		1 September 2021
	Below Threshold	0%	
	Threshold achieved	50%	
	Target achieved	100%	
	Stretch achieved	150%	

(1) Vesting to occur on a pro-rata basis

Structure

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 unless raised at the Boards discretion.

Where Performance Rights vest the holder of the Performance Right has until 30 September 2023 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	2019	2018	2017	2016	2015
EPS (cents)	(9.56)	3.06	2.42	(1.47)	4.82
Dividends (cents per share)	-	-	-	-	-
Net profit (loss)(\$000)	(14,826)	4,685	3,122	(1,545)	5,233
Share price (\$)	0.27	0.51	0.54	0.34	0.77

As a consequence of the FY19 performance, of the Company has not paid any STI to key management personnel or related Performance Rights in respect to the FY19 financial year as performance conditions were not achieved.

C. Key Management Personnel

(i) Directors

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

T Stianos	Non-executive Chairman
R Bevan	Non-executive Director
J Bardwell	Non-executive Director
C Nicolli	Non-executive Director from 22 October 2018
C Ryan	Non-executive Director to 27 November 2018
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 2019 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 2019, until terminated by either party, with six months notice.
- Fees – fixed remuneration \$600,000 per annum with an STI and LTI bonus allocation to be determined by the Board.

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.

Cristiano Nicolli - Non-Executive Director

- Terms of Agreement – appointed 22 October 2018.
- Fee – fixed \$75,000 per annum.

David Hinton - Chief Financial Officer and 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 additional 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 Super-annuation	Share-based payments ⁽¹⁾	Total	% Performance related	% of STI achieved
		Salary & Fees	Non-cash Benefits	Cash STI					
Non-Executive Directors									
T. Stianos	2019	109,589	-	-	10,411	-	120,000	-	-
	2018	54,795	-	-	5,205	-	60,000	-	-
R. Bevan	2019	82,193	-	-	7,808	-	90,001	-	-
	2018	82,192	-	-	7,808	-	90,000	-	-
C. Nicolli (from 22 Oct 2018)	2019	53,260	-	-	5,060	-	58,320	-	-
	2018	-	-	-	-	-	-	-	-
C. Ryan (to 27 Nov 2018)	2019	31,250	-	-	-	-	31,250	-	-
	2018	60,000	-	-	-	-	60,000	-	-
J. Bardwell	2019	68,493	-	-	6,507	-	75,000	-	-
	2018	54,795	-	-	5,205	-	60,000	-	-
Executive Directors									
R. Baskerville	2019	644,453	9,168	-	-	209,554	863,174	24.3%	-
	2018	600,000	11,579	149,679	-	131,212	892,470	31.5%	50.0%
Key Management									
D. Hinton	2019	413,675	10,200	-	28,207	112,614	564,696	19.9%	-
	2018	388,128	12,633	52,388	36,872	59,645	549,666	20.4%	50.0%
S. Bright	2019	438,747	17,342	-	13,222	113,956	583,268	19.5%	-
	2018	418,804	12,179	63,564	8,420	60,997	563,964	22.1%	50.0%

(1) Comprises the share payment expense recognised in the reporting period for performance rights on issue.

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-18	Vesting of Performance Rights	Net Change Other	Balance 30-Jun-19
Directors				
R. Baskerville	9,095,622	29,661	-	9,125,283
T. Stianos	143,200	-	-	143,200
R. Bevan	79,800	-	-	79,800
C. Nicolli	190,000*	-	100,000	290,000
C. Ryan	60,000	-	-	60,000
J. Bardwell	4,099,904	-	150,000	4,249,904
Total	13,668,526	29,661	250,000	13,948,187
Key Management				
D. Hinton	52,093	-	-	52,093
S. Bright	150,877	-	(135,000)	15,877
Total	202,970	-	(135,000)	67,970

* Mr Nicolli held a relevant interest in 190,000 Ordinary shares at the date of his appointment.

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-18	Granted as remuneration	Lapsed	Vested	Balance 30-June-19
Directors					
R. Baskerville	2,193,487	880,000	(357,280)	(29,661)	2,686,546
Key Management					
D. Hinton	802,848	353,000	(96,970)	-	1,058,878
S. Bright	789,848	353,000	(96,970)	-	1,045,878
Total	3,786,183	1,586,000	(551,220)	(29,661)	4,791,302

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:

2019	Grant Date	Number granted as remuneration	Average Value per right at grant date	Value of rights granted during the year	
Non- Executive					
T. Stianos	-	-	-	-	
R. Bevan	-	-	-	-	
C. Nicolli	-	-	-	-	
J. Bardwell	-	-	-	-	
Executive Directors	R. Baskerville	11/12/2018	880,00	\$0.30	\$ 268,243
Key Management	D. Hinton	16/07/2018	353,000	\$0.39	\$ 138,370
	S. Bright	16/07/2018	353,000	\$0.39	\$ 138,370
2018					
Non- Executive					
T. Stianos	-	-	-	-	
R. Bevan	-	-	-	-	
C. Nicolli	-	-	-	-	
J. Bardwell	-	-	-	-	
Executive Directors	R. Baskerville	6/12/2017	852,00	\$0.49	\$ 291,299
Key Management	D. Hinton	14/09/2017	318,000	\$0.63	\$ 138,847
	S. Bright	14/09/2017	330,000	\$0.63	\$ 143,972

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 subject to members' approval. Should the performance hurdle be satisfied then the Company will disclose the details in the subsequent Remuneration Report.

During the financial year 49,278 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
Sustainability - as determined by the Board in respect of FY18 performance	<u>49,278</u>

The Performance Rights vested represent 7% of the issuance of the Performance Rights in FY16, the balance of 93% was forfeited.

H. Voting and comments made at the company's 2018 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

12 August 2019

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 2019 was approved by the Board on 8 August 2019. The Corporate Governance Statement is available on Empired’s website at www.empired.com/Investor-Centre/Corporate-Governance/.

Consolidated Statement of Profit or Loss & Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue from contracts with customers	4	176,014,365	174,310,863
Cost of services	5	(110,364,007)	(110,808,860)
Gross Profit		65,650,358	63,502,003
Other income	4	60,239	37,909
Administration expenses	6(a)	(53,233,038)	(48,063,572)
Marketing expenses		(553,557)	(796,427)
Occupancy expenses		(5,821,152)	(5,556,385)
Impairment expenses	6(b)	(25,352,785)	-
Loss on disposal of assets		-	(14,361)
Other expenses		(706,077)	(831,763)
Operating (loss)/profit		(19,956,012)	8,277,404
Finance expenses	8	(1,394,816)	(1,348,691)
(Loss)/profit before income tax		(21,350,828)	6,928,713
Income tax benefit/(expense)	9	6,038,981	(2,046,403)
(Loss)/profit for the year		(15,311,847)	4,882,310
Other comprehensive income/ (loss), net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
<i>Exchange differences on translating foreign operations</i>		486,157	(196,813)
Total comprehensive (loss)/ income for the year		(14,825,690)	4,685,497
Earnings per share (cents per share):			
Basic loss per share	10	(9.56)	3.06
Basic loss per share	10	(9.56)	2.96

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents	11	5,551,971	13,364,679
Trade and other receivables	12	22,985,739	25,092,381
Work in progress		-	10,894,165
Contract assets		12,136,933	-
Other current assets	13	2,273,771	2,352,168
Total Current Assets		42,948,414	51,703,393
Non-Current Assets			
Plant and equipment	14	6,236,263	16,949,293
Intangible assets	15	51,539,561	62,712,777
Deferred tax asset	9	8,160,143	2,004,609
Total Non-Current Assets		65,935,967	81,666,679
TOTAL ASSETS		108,884,381	133,370,072
LIABILITIES			
Current Liabilities			
Trade and other payables	17	16,685,941	22,247,580
Income tax payable		35,705	502,472
Borrowings	18	2,409,260	2,381,231
Provisions	19	5,925,436	6,254,407
Deferred revenue		-	2,293,310
Contract liabilities		2,158,205	-
Total Current Liabilities		27,214,547	33,679,000
Non-Current Liabilities			
Borrowings	18	17,413,416	20,327,773
Provisions	19	2,334,927	2,988,001
Total Non-Current Liabilities		19,748,343	23,315,774
TOTAL LIABILITIES		46,962,890	56,994,774
NET ASSETS		61,921,491	76,375,298
EQUITY			
Issued capital	21	54,204,746	54,204,746
Reserves	20	3,425,657	2,285,107
Retained profits		4,291,088	19,885,445
TOTAL EQUITY		61,921,491	76,375,298

Consolidated Statement of Cash Flow

For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		197,638,807	188,570,926
Payments to suppliers and employees		(188,288,868)	(172,221,895)
Income tax paid		(854,150)	(812,491)
Net cash flows from operating activities	11(b)	8,495,789	15,536,540
Cash flows from investing activities			
Purchase of intangibles		(9,948,374)	(8,153,440)
Purchase of plant and equipment		(794,540)	(735,158)
Net cash flows used in investing activities		(10,742,914)	(8,888,598)
Cash flows from financing activities			
Finance costs		(1,336,888)	(1,349,361)
Repayment of borrowings		(8,779,869)	(3,396,923)
Repayment of finance lease liabilities		(718,425)	(998,186)
Proceeds from borrowings		5,260,794	13,285,957
Net cash flows (used in)/ from financing activities		(5,574,388)	7,541,487
Net (decrease)/ increase in cash and cash equivalents		(7,821,513)	14,189,429
Effect of exchange rate fluctuations on cash held		8,805	20,163
Cash and cash equivalents at beginning of period		13,364,679	(844,913)
Cash and cash equivalents at end of period	11(a)	5,551,971	13,364,679

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Issued Capital \$	Retained Profits \$	Foreign Currency Translation Reserve \$	Employee Equity Benefits Reserve \$	Total Equity \$
Balance at 1 July 2017	54,204,746	15,003,135	100,137	1,971,698	71,279,716
Profit for the year	-	4,882,310	-	-	4,882,310
Other comprehensive (loss)	-	-	(196,813)	-	(196,813)
Share-based payments	-	-	-	410,085	410,085
Balance at 30 June 2018	54,204,746	19,885,445	(96,676)	2,381,783	76,375,298
Adjustment for adoption of AASB 9	-	(282,510)	-	-	(282,510)
Loss for the year	-	(15,311,847)	-	-	(15,311,847)
Other comprehensive gain	-	-	486,157	-	486,157
Share-based payments	-	-	-	654,393	654,393
Balance at 30 June 2019	54,204,746	4,291,088	389,481	3,036,176	61,921,491

Notes to the Financial Statements

For the year ended 30 June 2019



1. CORPORATE INFORMATION

The financial report of Empired Limited for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 12 August 2019.

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, accounting policies have been updated, no retrospective adjustments have taken place as a result of adopting these standards. Information on these new standards is presented below.

AASB 9 Financial Statements

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. Trade receivables is the only financial asset that has been impacted by the adoption of the standard, specifically the measurement basis for the impairment of trade receivables.

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. This includes trade receivables and cash and cash equivalents in Empired's case.

Under AASB 9, loss allowances are measured on either 12-month ECLs or Lifetime ECLs. 12-month ECLs result from possible default events within the 12 months after reporting date and Lifetime ECLs result from all possible default events over the expected life of a financial instrument. The Group has elected to measure loss allowances on a 12-month ECL basis.

When determining the credit risk for trade receivables the Group uses quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, as well as forward-looking information. The adoption of AASB 9 has resulted in an increase to the provision for doubtful debts of \$403,599, an increase to deferred tax assets of \$121,080 and a decrease to opening retained earnings of \$282,510.

AASB 15 Revenue from Contracts with Customers

AASB 15 introduces a 5-step process for revenue recognition from contracts with customers. The standard requires that revenue be recognised when the performance obligation is met, namely when the promised good or service is transferred to the customer. AASB 15 replaces all previous revenue related accounting standards. AASB 15 has been retrospectively applied with no impact to comparative figures, with the cumulative effect of initial recognition as an adjustment to the opening balance of retained earnings at 1 July 2018. The application of AASB 15 has only been applied to contracts that are incomplete as at 1 July 2018.

AASB 15 does not include any guidance on how to account for loss contracts. Accordingly, such contracts are accounted for using the guidance in AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

Under AASB 137, the assessment of whether a provision needs to be recognised takes place at the contract level and there are no segmentation criteria to apply. As a result, there are some instances where loss provisions recognised in the past have not been recognised under AASB 15 because the contract as a whole is profitable. In addition, when two or more contracts entered into at or near the same time are required to be combined for accounting purposes, AASB 15 requires the Group to perform the assessment of whether the contract is onerous at the level of the combined contracts. The Group also notes that the amount of loss accrued in respect of a loss contract under AASB 111 takes into account an appropriate allocation of overheads. This contrasts with AASB 137 where loss accruals may be lower as they are based on the identification of 'unavoidable costs'.

A contract asset is defined as right to consideration in exchange for goods or services that has transferred to a customer, when that right is conditioned on something other than the passage of time, for example our future performance.

A contract liability is an obligation to transfer goods or services to a customer for which consideration has been received from the customer (or payment is due) but the transfer has not yet been completed.

The application of AASB 15 is not materially different from the previous standard in terms of revenue recognition. The application did not impact the way in which the Group accounts for revenues.

(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 Group

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 2019 can be summarised as follows: introduction of a right-of-use asset of \$16.7m, an increase in borrowings of \$19.2m and a reduction in provisions of \$2.5m.

The Group is planning to adopt AASB 16 on 1 July 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying AASB 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not re-stated.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in several tax jurisdictions applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

At the date of authorisation of these financial statements, several new, but not effective, Standards and amendments to existing Standards, and interpretations have been published by the AASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not yet expected to have a material impact on the Group's financial statements.

(d) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2019. 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 2019.

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.

(e) 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:

Leasehold Improvements	5 – 20 yrs
Furniture & Fittings	1 – 15 yrs
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 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 yrs
Other	3 - 7 yrs

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 and development 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 assured. It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably. 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.

Software assets are treated for impairment where an indicator of impairment exists. The carrying amount of software is considered either individually or collectively in regard to estimated future cash flows. An impairment charge is raised where the value in the use exceeds the carrying amount.

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).

(k) Financial instruments

Recognition, and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

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 initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments under AASB 9.

Impairment

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependant on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')

'Stage 3' would cover financial assets that have been objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(l) Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate expected credit losses using a provision matrix.

(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 net of bank overdrafts.

(n) Provisions, Contingent Assets and Liabilities

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.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

(o) 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.

(p) 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.

(q) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the consolidated profit or loss on a straight-line basis over the lease term.

(r) Revenue from Contracts with Customers

Revenue arises mainly from IT consulting services and product and license revenue.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products and services. Revenue which represent income arising in the course of the Groups ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customers when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customers, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Groups and the customers rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

Recognition and Measurement

At the inception of each contract with customer, the Group assesses the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with customer is recognised. A performance obligation is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and/ or implied in the Groups customary business practises. A good or service is distinct if:

- (i) The customer can either benefit from the good or service on its own or together with other readily available resources; and
- (ii) The good or service is separately identifiable from other promises in the contract (e.g. the good or service is not integrated with, or significantly modify, or highly interrelate with, other goods or services promised in the contract).

If a good or service is not distinct, the Group combines it with other promised goods or services until the Group identifies a distinct performance obligation consisting a distinct bundle of goods or services.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, credits, incentives, performance bonuses, penalties or other similar items, the Group estimates the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. If the contract with customer contains more than one distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. If a standalone selling price is not directly observable, the Group will need to estimate it using adjusted market assessment approach, expected cost plus a margin approach and residual approach.

The consideration allocated to each performance obligation is recognised as revenue when or as the customer obtains control of the goods or services. At the inception of each contract with customer, the Group determines whether control of the goods or services for each performance obligation is transferred over time or at a point.

Control over the goods or services are transferred over time and revenue is recognised over time if:

- (i) The customer simultaneously receives and consumes the benefits provided by the Groups performance as the Group performs;
- (ii) The Groups performance creates or enhances a customer-controlled asset; or
- (iii) The Groups performance does not create an asset with alternative use and the Group has a right to payment for performance completed to date.

Revenue for a performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

SaaS

Revenue is derived from providing customers access to group platforms and is recognised in accordance with the terms of contracts provided in the subscription agreement. The SaaS and related support revenue (if any) is recognised over time, being the subscription period, as the customer simultaneously receives and consumes the benefit of accessing the platform.

Access to the platforms is not considered distinct from other performance obligations, such as set-up and support, as access to any platform alone does not allow the customer to obtain substantially all the benefits of the access, and is therefore accounted for as a single performance obligation.

Consideration received can be variable in nature, based upon customer usage in excess of contractually agreed units. The variable consideration is included in the transaction price at the company's best estimate, using either an expected value or most likely outcome, whichever provides the best estimate and is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue when any price uncertainty is resolved.

Product and License Revenue

Revenue from the sale of product and software licenses is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer.

Professional Services

Revenue from professional services for a fixed fee or time and material is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods or

services transferred are due upon receipt by the customer. Revenue is recognised over time as the work is performed. As costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the entity's performance.

(s) 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.

(t) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:
 - » except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
 - » in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

The tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period. Deferred taxes are calculated using the balance sheet liability method.

(u) Other taxes

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

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

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

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

(v) Equity and reserves

Share capital represents the nominal (par) value of shares that have been issued.

Other components of equity include the following:

- **translation reserve** - comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into AUD.

Retained earnings includes all current and prior period retained profits and share-based employee remuneration.

(w) 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 15.

(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.

(v) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

3 SEGMENT REPORTING

Management identifies its operating segments based on the Group's geographical presence, which represent the main products and services:

- Australia
- New Zealand

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

	Australia \$	New Zealand \$	Elimination \$	Total \$
2019				
Revenue				
From external customers	115,504,559	60,509,806	-	176,014,365
From other segment	1,019,631	427,972	(1,447,603)	-
Total	116,524,190	60,937,778	(1,447,603)	176,014,365
Segment profit (EBITDA) prior to underlying adjustments	7,325,359	6,475,178	-	13,800,537
Segment profit (Underlying EBITDA)	8,442,350	6,849,935	-	15,292,285
Impairment	17,343,902	8,008,883	-	25,352,785
Segment assets	74,353,328	34,531,053	-	108,884,381
Segment non-current assets	56,564,601	9,371,367	-	65,935,968
2018				
Revenue				
From external customers	116,056,995	58,253,868	-	174,310,863
From other segment	618,968	960,252	(1,579,220)	-
Total	116,675,963	59,214,120	(1,579,220)	174,310,863
Segment profit (EBITDA) prior to underlying adjustments	11,062,236	5,351,882	-	16,414,118
Segment profit (underlying EBITDA)	11,598,267	5,374,109	-	16,972,376
Segment assets	96,367,754	37,002,318	-	133,370,072
Segment non-current assets	56,716,370	24,950,309	-	81,666,679

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

	2019	2018
	\$	\$
Total reporting segment operating underlying EBITDA	15,292,285	16,972,376
Less:		
Finance costs (net)	(1,334,577)	(1,310,782)
Depreciation and amortisation expenses	(8,464,003)	(8,160,262)
One off costs	(1,491,748)	(558,258)
Impairment	(25,352,785)	(14,361)
Group profit/ (loss) before tax	(21,350,828)	6,928,713

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019	2018
	\$	\$
Revenue		
Services revenue	159,398,897	157,092,408
Product and license revenue	16,615,468	17,218,455
Total revenue from contracts with customers	176,014,365	174,310,863
Other Income		
Interest	60,239	37,909
Total revenue and other income	176,074,604	174,348,772
Geographical markets		
Australia		
Services revenue	103,879,098	103,559,810
Product and license revenue	11,625,460	12,497,182
New Zealand		
Services revenue	55,519,798	53,532,598
Product and license revenue	4,990,008	4,721,273
Total revenue from contracts with customers	176,014,365	174,310,863
Timing of revenue recognition		
Services Revenue		
Transferred at a point in time	88,785,722	89,194,947
Transferred over time	70,613,175	67,897,461
Product and license revenue		
Transferred at a point in time	14,033,939	15,484,565
Transferred over time	2,581,530	1,733,890
Total revenue from contracts with customers	176,014,365	174,310,863

Customers generally pay for amounts billed on a 30 day basis. Contract assets and contract liabilities remained relatively constant.

5. COST OF SERVICES

The comparative for cost of services shown in the Statement of Profit or Loss and Other Comprehensive Income has been reduced by \$3,246,604 with employment benefits expenses increased by \$1,447,084 and other administration expenses increased by \$1,799,520 as shown in note 6. The amendment to the comparative has been made for consistency purposes as a result of minor changes in the operation of the business. The table below discloses what was previously reported in the Financial Report for the period ending 30 June 2019 to what is now reported.

	12 months to 30 June 2018	Change	Previously reported 12 months to 30 June 2018
Cost of services	110,808,860	(3,246,604)	114,055,464
Employment benefit expenses	29,664,510	1,447,084	28,217,426
Other administration expenses	10,238,800	1,799,520	8,439,280

6. EXPENSES

	2019 \$	2018 \$
(a) Administration expenses		
Employee benefits (not included in cost of sales)	32,723,546	29,664,510
Depreciation expenses	4,043,395	4,571,722
Amortisation expenses	4,420,608	3,588,540
Other administration expenses	12,045,489	10,238,800
	53,233,038	48,063,572
(b) Impairment expenses		
Plant and equipment (refer Note 14)	7,614,851	-
Intangible assets (refer Note 15)	17,029,201	-
Trade and other receivables	708,734	-
	25,352,785	-

7. EMPLOYEE BENEFITS EXPENSE

	2019 \$	2018 \$
Employee benefits included in cost of sales	94,107,823	95,751,863
Employee benefits included in administration expenses	32,723,546	29,664,510
	126,831,369	125,416,373

8. FINANCE EXPENSE

	2019 \$	2018 \$
Interest expenses - bank borrowings	1,330,432	1,308,425
Interest expenses - finance leases and hire purchase	46,011	40,266
Interest expenses - other	18,373	-
	1,394,816	1,348,691

9. INCOME TAX

(a) Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Empired Ltd at 30% (2018: 30%) and the reported tax expense in profit or loss are as follows:

	2019 \$	2018 \$
Current income tax payable	451	857,149
Deferred income tax relating to origination and reversal of temporary differences	-	1,365,204
Origination and reversal of temporary differences	(6,086,495)	(175,950)
Under provision in respect of prior years	47,063	-
Income tax reported in profit or loss	(6,038,981)	2,046,403

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

	2019 \$	2018 \$
Accounting profit before income tax	(21,350,828)	6,928,713
Income Tax Expense to Accounting Profit		
Domestic tax rate for Empired Ltd (30%)	(6,405,248)	2,079,518
Tax rate differential	58,663	(102,038)
Employee option expense	196,318	-
Amortisation of intangibles	5,736	-
Other expenditure not allowed for income tax purposes	174,591	215,743
Foreign exchange differences	(116,104)	(36,949)
R&D offset income tax variance	-	-
Under provision in respect of prior years	47,063	(183,780)
Other income for income tax purposes	-	73,909
Income tax expense	(6,038,981)	2,046,403

(c) Recognised deferred tax assets and liabilities

Deferred income tax balances at 30 June 2019 relate to the following:

	2019 \$	2018 \$
(i) Deferred tax liabilities		
Contract assets	3,140,945	2,874,258
Fixed assets	-	3,030,446
Trade & other receivables	-	24,495
Other	36,416	24,848
Gross deferred tax liabilities	3,177,361	5,954,048
(ii) Deferred tax assets		
Provisions	1,038,256	1,064,224
Equity raising costs	106,227	193,460
Borrowing costs	1,595	3,269
R&D offset carried forward	3,745,620	4,100,040
Fixed assets	2,778,803	-
Trade & other receivables	63,882	2,482
Employee obligations	2,159,093	2,102,834
Other	29,545	12,514
Tax losses	1,414,485	479,833
Gross deferred tax assets	11,337,506	7,958,656

Deferred income tax balances relate to the following:

30 June 2019	Opening Balance \$	Recognised in Profit and Loss \$	Recognised in Other Comprehensive Income \$	Exchange Differences \$	Closing Balance \$
Deferred tax liabilities					
Contract assets	2,874,258	266,686	-	-	3,140,944
Fixed assets	3,030,446	(3,030,447)	-	-	-
Trade & other receivables	24,495	(24,495)	-	-	-
Other	24,849	9,235	-	2,333	36,417
Gross deferred tax liabilities	5,954,048	(2,779,021)	-	2,333	3,177,361
Deferred tax assets					
Provisions	1,064,225	(25,968)	-	-	1,038,257
Equity raising costs	193,460	(87,233)	-	-	106,227
Borrowing costs	3,269	(1,674)	-	-	1,595
R&D offset carried forward	4,100,040	(354,420)	-	-	3,745,620
Fixed assets	-	2,769,360	-	9,443	2,778,803
Trade & other receivables	2,482	61,423	-	(23)	63,881
Employee obligations	2,102,835	30,369	-	25,889	2,159,093
Other	12,514	13,930	-	3,100	29,544
Tax losses	479,833	854,625	-	80,027	1,414,485
Gross deferred tax assets	7,958,657	3,260,411	-	118,436	11,337,504
	2,004,609	6,039,432	-	116,103	8,160,143

(c) Recognised deferred tax assets and liabilities (continued)

30 June 2019	Opening Balance \$	Recognised in Profit and Loss \$	Recognised in Other Income \$	Exchange Differences \$	Closing Balance \$
<i>Deferred tax liabilities</i>					
Contract assets	2,606,793	267,465	-	-	2,874,258
Fixed assets	3,369,352	(338,302)	-	(604)	3,030,446
Trade & other receivables	-	24,495	-	-	24,495
Other	49,470	(24,621)	-	-	24,849
Gross deferred tax liabilities	6,025,615	(70,963)	-	(604)	5,954,048
<i>Deferred tax assets</i>					
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 offset carried forward	4,840,625	(740,585)	-	-	4,100,040
Trade & 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
Gross deferred tax assets	9,217,245	(1,260,218)	-	1,630	7,958,657

(d) 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.

10. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net (loss)/ profit for the year attributable to ordinary equity holders of the parent.

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

	2019 \$	2018 \$
Net (loss)/ profit attributable to ordinary equity holders of the parent	(15,311,847)	4,882,310
Weighted average number of ordinary shares for basic earnings per share	160,127	159,751
<i>Effect of Dilution:</i>		
Performance rights	6,481,636	5,184
Weighted average number of ordinary shares adjusted for the effect of dilution	6,641,763	164,935

As the group incurred a loss for the period, the options on issue have an anti-dilutive effect, therefore the diluted EPS is equal to the basic EPS. A total of 2,730,369 (2018: 5,184,000) performance rights which could potentially dilute EPS in the future have been excluded from the diluted EPS calculation because they are anti-dilutive for the current year presented.

11. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

For the purpose 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:

	2019 \$	2018 \$
Cash at bank and in hand	5,551,971	13,364,679
	5,551,971	13,364,679

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

	2019 \$	2018 \$
(Loss)/ profit after income tax	(15,311,847)	4,882,310
Finance expenses (net)	1,334,578	1,310,782
Depreciation and amortisation	8,464,003	8,160,262
Impairment losses	25,352,785	14,361
Share payment expense	654,393	410,096
Changes in assets and liabilities net of effects of purchases and disposals of:		
(Increase) / decrease in receivables	2,545,732	(1,186,739)
(Increase) / decrease in contract assets	(1,242,767)	(1,441,258)
Increase / (decrease) in trade creditors and other payables	(6,028,406)	3,824,789
Increase / (decrease) in contract liabilities	(135,104)	(984,753)
(Increase) / decrease in deferred tax asset	(6,155,534)	1,187,021
Increase / (decrease) in provisions	(982,044)	(640,331)
Net cash from operating activities	8,495,789	15,536,540

12. TRADE AND OTHER RECEIVABLES

	2019 \$	2018 \$
Current		
Gross trade receivables	23,542,062	25,104,980
Allowance for credit losses (refer Note 23)	(997,876)	(165,920)
Other receivables	441,553	153,321
	22,985,739	25,092,381

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.

13. OTHER CURRENT ASSETS

	2019 \$	2018 \$
Prepayments	2,273,771	2,352,168

14. PLANT AND EQUIPMENT

2019	Leased equipment \$	Leasehold improvements \$	Computer hardware \$	Furniture, Equipment & Fittings \$	Total \$
Gross carrying amount					
Balance 1 July 2018	39,506	6,015,328	21,073,555	2,603,290	29,731,679
Additions	-	520,255	253,138	21,147	794,540
Disposals	(39,506)	(113,982)	(13,357,042)	(1,170,777)	(14,681,307)
Exchange differences	-	26,408	63,778	60,491	150,677
Balance 30 June 2019	-	6,448,009	8,033,429	1,514,151	15,995,590
Depreciation and impairment					
Balance 1 July 2018	(35,031)	(2,059,565)	(9,599,274)	(1,088,516)	(12,782,386)
Disposals	39,506	106,605	9,245,225	933,327	10,324,663
Impairment losses	-	(75)	(3,238,656)	(19,476)	(3,258,207)
Depreciation	(4,475)	(579,037)	(3,167,683)	(292,202)	(4,043,397)
Balance 30 June 2019	-	(2,532,072)	(6,760,388)	(466,867)	(9,759,327)
Carrying amount 30 June 2019	-	3,915,937	1,273,041	1,047,284	6,236,263

During the financial year an impairment charge of \$7,614,851 (inclusive of disposed assets) was raised following a review of the year end carrying values and the value in use of the assets. The assessment of value in use considered a number of factors impacting future cash flows including general technological change and obsolescence and strategic direction of the Group. There were no impairment charges reversed during the current or previous financial year in relation to property, plant and equipment.

2018	Leased equipment \$	Leasehold improvements \$	Computer hardware \$	Furniture, Equipment & Fittings \$	Total \$
Gross carrying amount					
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)
Balance 30 June 2018	39,506	6,015,328	21,073,555	2,603,290	29,731,679
Depreciation and impairment					
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
Impairment losses	(2,244)	(556,586)	(3,736,521)	(276,371)	(4,571,722)
Depreciation	-	429	13,580	36,622	50,631
Balance 30 June 2018	(35,031)	(2,059,565)	(9,599,274)	(1,088,516)	(12,782,386)
Carrying amount 30 June 2018	4,475	3,955,763	11,474,281	1,514,774	16,949,293

15. INTANGIBLE ASSETS

2019	Goodwill \$	Software \$	Other \$	Total \$
Gross carrying amount				
Balance 1 July 2018	46,446,049	24,486,954	355,462	71,288,465
Additions	-	9,948,374	-	9,948,374
Disposals	-	(7,687,527)	(249,303)	(7,936,830)
Exchange differences	-	135,253	56,391	191,644
Balance 30 June 2019	46,446,049	26,883,054	162,550	73,491,653
Depreciation and impairment				
Balance 1 July 2018	-	(8,291,525)	(284,163)	(8,575,688)
Disposals	-	7,136,002	249,302	7,385,304
Amortisation	-	(4,420,608)	-	(4,420,608)
Impairment losses	-	(16,477,675)	-	(16,477,675)
Exchange differences	-	261,173	(124,598)	136,576
Balance 30 June 2019	-	(21,792,633)	(159,459)	(21,952,092)
Carrying amount 30 June 2019	46,446,049	5,090,421	3,091	51,539,561

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.

During the financial year an impairment charge of \$17,029,201 was raised following a review of the year end carrying values and the value in use of the assets. The assessment considered a number of factors impacting the carrying values including general technological change and obsolescence and strategic direction of the Company. There were no impairment charges reversed during the current or previous financial year in relation to intangible assets.

2018	Goodwill \$	Software \$	Other \$	Total \$
Gross carrying amount				
Balance 1 July 2017	46,446,049	16,153,436	355,462	62,954,947
Additions	-	8,332,703	-	8,332,703
Exchange differences	-	815	-	815
Balance 30 June 2018	46,446,049	24,486,954	355,462	71,288,465
Depreciation and impairment				
Balance 1 July 2017	-	(4,625,726)	(276,772)	(4,902,498)
Amortisation	-	(3,511,144)	(77,396)	(3,588,540)
Exchange differences	-	(154,655)	70,005	(84,650)
Balance 30 June 2018	-	(8,291,525)	(284,163)	(8,575,688)
Carrying amount 30 June 2018	46,446,049	16,195,429	71,299	62,712,777

Goodwill

Goodwill acquired through business combinations with indefinite lives are allocated to the Australian and New Zealand cash generating units.

	2019 \$	2018 \$
Australia	27,105,898	27,105,898
New Zealand	19,340,151	19,340,151
Total carrying amount of goodwill	46,446,049	46,446,049

The Group performed the annual impairment test in June 2019. 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

Managements key assumption is that stable economic conditions prevail for the foreseeable future. Cash flow projections reflect stable profit margins previously achieved and that no material deterioration in the cash margin are anticipated. The sensitivity analysis undertaken considers each key assumption in isolation and does not take into account any remedial action that may be taken if, for example, margins were to deteriorate.

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

Gross profit margins - are based upon FY20 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. If gross profit margins were to reduce by more than 200 basis points in Australia or by more than 500 basis points in New Zealand without any compensating adjustment to cash flows then it is likely that a goodwill impairment charge would occur.

Cost price inflation – has been based upon publicly available inflationary data.

Growth rate estimates – 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 5 at 3%. If terminal growth was to reduce to zero, in real terms, then it is estimated that a goodwill impairment charge is unlikely.

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.

16. EMPLOYEE BENEFITS

The total expense relating to equity-settled share-based payment transactions in 2019 was \$654,393 (2018: \$410,085).

During 2019 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:

	2019 No.	2018 No.
Outstanding at the beginning of the year	5,184,166	5,023,659
Granted during the year	2,321,000	2,075,000
Forfeited during the year	(974,252)	(443,192)
Vested during the year	(49,278)	(1,471,301)
Outstanding at the end of the year	6,481,636	5,184,166

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

Number of Performance Rights	Number of Ordinary	Vesting Date	Hurdle description
587,576	587,576	31 August 2019	FY18 Basic EPS
587,576	587,576	31 August 2019	FY19 Basic EPS
1,175,150	1,175,150	31 August 2019	Relative Total Shareholder Return
380,067 *	570,101	30 August 2020	FY19 Basic EPS
380,067 *	570,101	30 August 2020	FY20 Basic EPS
768,133 *	1,152,200	30 August 2020	Relative Total Shareholder Return
380,067	380,067	30 August 2020	Sustainability measure
889,200 *	1,333,800	1 September 2021	FY21 Basic EPS
444,600 *	666,900	1 September 2021	FY21 Return on Equity
889,200 *	1,333,800	1 September 2021	Absolute TSR
6,481,636	8,357,271		

* For these Tranches should a change of control of the Company occur in accordance with the Long Term Incentive Plan Rules the Directors have the discretion to issue up to 1.5 ordinary shares per Performance Right.

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:

Grant date	16 July 2018	11 December 2018
Vesting period ends	1 September 2021	1 September 2021
Share price at date of grant	\$0.39	\$0.30
Term	3 yrs	3 yrs
Fair value at grant date	\$276,740	\$268,243
Performance rights granted	1,441,000	880,000

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.

17. TRADE AND OTHER PAYABLES

	2019 \$	2018 \$
Trade payables	5,358,019	10,744,831
Other payables	11,327,922	11,502,749
	16,685,941	22,247,580

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

	2019 \$	2018 \$
Owing to directors and director related entities	-	55,000

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

18. BORROWINGS

	2019 No.	2018 No.
Current		
Designated at amortised cost:		
Obligations under bank loan	1,200,000	1,200,000
Obligations under NZ-Dollar bank loan	669,612	640,559
Obligations under finance leases and hire purchase contracts	376,534	245,935
Obligations under premium funding contracts	163,114	294,737
	2,409,260	2,381,231
Non-current		
Designated at amortised cost:		
Obligations under bank loan	15,069,770	17,445,255
Obligations under NZ-Dollar bank loan	2,343,646	2,882,518
	17,413,416	20,327,773

Summary of facilities

At reporting date, the following financing facilities were available:

	2019 No.	2018 No.
Bank loans	23,413,259	22,989,396
Facility used at reporting date	(19,283,028)	(22,168,332)
Facility unused at reporting date	4,130,231	821,064
Bank guarantees	3,500,000	3,500,000
Facility used at reporting date	(2,626,630)	(2,573,283)
Facility unused at reporting date	873,370	926,717
Bank finance leases	4,000,000	4,000,000
Facility used at reporting date	-	-
Facility unused at reporting date	4,000,000	4,000,000

Summary of covenants

The bank debt facilities comprise:

- non-revolving term debt of \$8,413,259 maturing in February 2021 with quarterly principal repayments;
- borrowing base facility of \$15,000,000, drawn to \$10,869,770 at 30 June 2019. This facility matures in February 2021;
- bank guarantee facility of \$3,500,000 maturing in February 2021; and
- lease facility of \$4,000,000 maturing in February 2021

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

19. PROVISIONS

Year end 30 June 2019	Lease Incentives \$	Annual Leave \$	Long Service Leave \$	Total \$
Balance at the beginning of the year	3,400,275	4,353,145	1,488,988	9,242,408
Discounting adjustment	-	(8,453)	-	(8,453)
Additional provisions	-	7,895,467	453,426	8,348,893
Amounts used	(935,731)	(8,098,137)	(288,617)	(9,322,485)
Closing value at 30 June 2019	2,464,544	4,142,022	1,653,797	8,260,363

Analysis of total provisions:	2019 \$	2018 \$
Current		
Provision for Annual Leave	4,142,022	4,353,145
Provision for Long Service Leave	919,191	945,979
Provision for Lease Incentives	864,223	955,283
	5,925,436	6,254,407
Non-current		
Provision for Long Service Leave	734,606	543,009
Provision for Lease Incentives	1,600,321	2,444,992
	2,334,927	2,988,001

20. RESERVES

	Foreign Currency Translation Reserve \$	Employee Equity Benefits Reserve \$	Total Reserves \$
Opening balance as at 1 July 2017	100,137	1,971,698	2,071,835
Exchange differences arising on translation of foreign operations	(196,813)	-	(196,813)
Share-based payments	-	7,895,467	410,085
Closing balance as at 30 June 2018	(96,676)	2,381,783	2,285,107
Exchange differences arising on translation of foreign operations	486,157	-	486,157
Share-based payments	-	654,393	654,393
Closing balance as at 30 June 2019	389,481	3,036,176	3,425,657

21. ISSUED CAPITAL

	2019 \$	2018 \$
Ordinary Shares fully paid	54,204,746	54,204,746

Movement in ordinary shares on issue	No.	Value (\$)
At 1 July 2017	158,606,618	54,204,746
Issue of ordinary shares (net of issue costs)	1,471,301	
At 30 June 2018	160,077,919	54,204,746
Issue of ordinary shares (net of issue costs)	49,278	-
At 30 June 2019	160,127,197	54,204,746

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

On 3 July 2018, the company issued 49,278 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 2019 and 30 June 2018 are as follows:

	Note	Consolidated Group 2019 \$	Consolidated Group 2018 \$
Total Borrowings	18	19,822,676	22,709,004
Less cash and cash equivalents	11(a)	(5,551,971)	(13,364,679)
Net Debt		14,270,705	9,344,325
Issued Capital		54,204,746	54,204,746
Total Capital		68,475,451	63,549,071
Gearing ratio		19%	11%

22. DIVIDENDS

	2019 \$	2018 \$
Balance of franking account at year end at 30% available to the shareholders of Empired Limited for subsequent financial years	24,841	24,841

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of bank loans, cash, trade receivables and trade payables.

The main purpose of the financial liabilities is to raise finance for the Group's operations. Financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group has a 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.

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 11. 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% (2018: +/- 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.

Year end 30 June 2019	Profit for the year		Equity	
	\$ +1%	\$ -1%	\$ +1%	\$ -1%
30 June 2019	99,895	(99,895)	99,895	(99,895)
30 June 2018	(65,410)	65,410	(65,410)	65,410

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	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Financial Assets	12,177,993	9,629,754	566,866	570,376	3,826	49,312
Financial Liabilities	(5,029,652)	(5,143,590)	(48,005)	-	(1,799)	(23,261)
Net Exposure	7,148,341	4,486,164	518,861	570,376	2,027	26,051

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 (2018: 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% (2018: 10%) then this would have had the following impact:

Year end 30 June 2019	NZD \$	USD \$	SGD \$
30 June 2019	714,834	51,886	203
30 June 2018	448,616	57,038	2,605

If the \$AUD had weakened against the respective currencies by 10% (2018: 10%) then this would have had the following impact:

Year end 30 June 2019	NZD \$	USD \$	SGD \$
30 June 2019	(714,834)	(51,886)	(203)
30 June 2018	(448,616)	(57,038)	(2,605)

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 commodity price risk is minimal.

Credit risk

The Group trades only with recognised, creditworthy third parties.

It is the Group policy that 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.

Exposure to credit risk

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

	2019 \$	2018 \$
Cash and cash equivalents (note 11)	5,551,971	13,364,679
Trade and other receivables (note 12)	22,985,739	25,092,381
	28,537,710	38,457,060

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

	Trade receivables past due				Total
	Current	More than 30 days	More than 60 days	More than 90 days	
30 June 2019					
Expected credit loss rate	0.1%	1.0%	6.0%	35.0%	
Gross carrying amount	18,836,762	2,932,281	466,013	309,129	22,544,186
Lifetime expected credit loss	9,418	29,323	27,961	108,195	174,897

	Trade receivables past due				Total
	Current	More than 30 days	More than 60 days	More than 90 days	
30 June 2018					
Expected credit loss rate	0.1%	1.0%	6.0%	35.0%	
Gross carrying amount	21,357,492	2,297,151	764,590	519,827	24,939,060
Lifetime expected credit loss	10,679	22,972	45,875	181,939	261,465

The closing balance of the trade receivables less allowances at 30 June 2019 reconciles with trade receivables:

	\$
Opening balance of provision for doubtful debts	165,920
Amounts recognised through opening retained earnings	367,263
Opening estimated credit losses 1 July 2018	533,183
Receivables written off during the year (note 23)	(154,300)
Estimated credit losses provided in year	618,993
Expected credit loss at 30 June 2019	997,876

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 2019, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised:

Year end 30 June 2019	0-12 Months \$	1 - 5 years \$	5+ years \$
Insurance premium funding loan	168,921	-	-
Bank borrowings	1,944,396	19,805,854	-
Finance leases and hire purchase obligations	390,698	-	-
Trade and other payables	16,685,941	-	-
Total	19,189,956	19,805,854	-

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

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

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

24. FINANCIAL ASSETS AND LIABILITIES

Note 2 (k) provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amount of financial assets and financial liabilities in each category are as follows:

Financial assets	2019 \$	2018 \$
Non-current assets	57,775,824	79,662,070
Work in progress	-	10,894,165
Contract assets	12,136,933	-
Cash and cash equivalents	5,551,971	13,364,679
Trade and other receivables	22,985,739	25,092,381
Total assets	98,450,467	129,013,295

Financial liabilities	2019 \$	2018 \$
Current borrowings	2,409,260	2,381,231
Non-current borrowings	17,413,416	20,327,773
Current provisions	5,925,436	6,254,407
Non-current provisions	2,334,927	2,988,001
Deferred revenue	-	2,293,310
Contract liabilities	2,158,205	-
Trade and other payables	16,685,941	22,247,580
Total liabilities	46,927,185	56,492,302

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.

25. 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:

2019	Floating interest rate	Fixed interest rate	Non-interest bearing	Carrying amount as per balance sheet	Weighted average effective interest rate
i) Financial Assets					
Cash and cash equivalents	5,551,971	-	-	5,551,971	1.25%
Trade and other receivables	-	-	22,985,739	22,985,739	
Total financial assets	5,551,971	-	22,985,739	28,537,710	
ii) Financial liabilities – at amortised cost					
Trade and other payables	-	-	16,685,941	16,685,941	
Finance leases and hire purchase obligations	-	376,534	-	376,534	4.84%
Insurance premium funding loan	-	163,114	-	163,114	3.56%
Bank Loans	21,750,250	-	-	21,750,250	4.27%
Total financial liabilities	21,750,250	539,648	16,685,941	38,975,839	

2018	Floating interest rate	Fixed interest rate	Non-interest bearing	Carrying amount as per balance sheet	Weighted average effective interest rate
i) Financial Assets					
Cash and cash equivalents	13,364,679	-	-	13,364,679	1.25%
Trade and other receivables	-	-	25,092,381	25,092,381	
Total financial assets	13,364,679	-	25,092,381	38,457,060	
ii) Financial liabilities – at amortised cost					
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%
Total financial liabilities	24,072,102	540,672	22,247,580	46,860,354	

26. COMMITMENTS AND CONTINGENCIES

Contingent Asset

The Group has brought a claim against a software vendor relating to a third party warranty claim. Management are unable to estimate the expected value of the claim and the probability of re-coupment is remote.

Contingent Liability

From time to time, Empired Ltd is subject to claims and/ or complaints from third parties and a contingent liability arose during the financial year arising from the ordinary course of its business. As per AASB 137 Provisions, Contingent Liabilities and Contingent Assets, this has not been recognised in the financial statements.

Commitments for Expenditure

Operating leases

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

	2019 \$	2018 \$
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	5,991,355	5,194,852
Later than one year but not later than five years	14,094,360	14,563,884
Later than five years	2,883,249	3,010,675
Total	22,968,964	22,769,411
Contingent Liabilities		
Bank guarantees		
Bank guarantees outstanding at year end	-	-
Total	2,626,630	2,573,283

27. INVESTMENT IN CONTROLLED ENTITY

	Country of Incorporation	% Equity Interest	
		2019 %	2018 %
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 ^(a)	Australia	-	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 ^(b)	New Zealand	100	100
Empired Singapore Pte Ltd	Singapore	100	100
Intergen North America Limited	USA	100	100

(a) Entity deregistered during the year.

(b) Acts as trustee for the Intergen Limited Employee Share Scheme Trust

28. AUDITORS' REMUNERATION

Amounts received or due and receivable by auditors of the parent entity

	2019 \$	2018 \$
Audit and review of financial statements		
Grant Thornton Australia	147,331	167,221
Overseas Grant Thornton network firms	47,740	88,182
Remuneration for audit and review of financial statements	195,071	255,403
Other Services		
Grant Thornton Australia: Taxation compliance	15,763	14,950
Overseas Grant Thornton network firms:		
Taxation compliance	7,005	6,510
Total other services remuneration	22,768	21,460
Total auditor's remuneration	217,839	276,863

29. PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2019 the parent entity of the Group was Empired Limited.

	2019 \$	2018 \$
Statement of financial position		
Current assets	27,036,947	38,968,038
Total assets	64,713,909	86,948,970
Current liabilities	18,783,667	26,123,081
Total liabilities	37,253,803	47,494,549
Issued capital	54,204,744	54,204,744
Employee equity benefits reserve	3,036,176	2,381,783
Accumulated (losses)	(29,780,814)	(17,132,106)
Total equity	27,460,106	39,454,421
Statement of profit or loss and other comprehensive income		
(Loss)/ profit after tax	(12,366,189)	2,683,777
Total comprehensive (loss)/ income	(12,366,189)	2,683,777

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. During the financial year i5 Software Pte Ltd was released from the cross guarantee and indemnity.

30. RELATED PARTY TRANSACTIONS

The Group's related parties includes its 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:

	2019	2018
	\$	\$
Short-term employee benefits	1,878,371	1,960,736
Post-employment benefits	71,215	63,510
Share-based payment	436,124	251,854
Total compensation paid to key management personnel	2,385,710	2,276,100

31. 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 2019 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 2019 and of its performance

(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 2019.

On behalf of the Board



Russell Baskerville
Managing Director

12 August 2019

Auditor's Independence Declaration



Central Park, Level 43
152-158 St Georges Terrace
Perth WA 6000

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E info_wa@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Empired Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Empired Limited for the year ended 30 June 2019, 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 that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in black ink that reads "L A Stella".

L A Stella
Partner – Audit & Assurance

Perth, 12 August 2019

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

www.grantthornton.com.au

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Independent Audit Report



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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 2019, 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 2019 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.

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.

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Independent Audit Report (continued)



Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition – Note 2(r) and Note 4</p> <p>For the year ended 30 June 2019, the group recorded \$176,014,365 (2018: \$174,310,863) in revenue from a combination of fixed price and variable contracts including product sales. Revenue is recognised in accordance with AASB 15 “Revenue from Contracts with Customers”.</p> <p>Revenue derived from the delivery of services may be complex and involves significant management judgement due to revenue to being recognised when performance obligations are satisfied. 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 ASA 540 <i>Auditing for Accounting Estimates</i>.</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"> • Understanding and documenting the design of internal controls and performing test of key controls for their operational effectiveness on revenue recognition for material fixed and variable revenue streams; • Testing on a sample basis fixed price and variable contracts to supporting documentation to ensure revenue recognition was accurate, recorded in the correct period and compliant with AASB 15; • Reviewing the progress of fixed price contracts to supporting documentation and agreeing revenue recognition was appropriately applied over a period of time consistent to the requirements of AASB 15; and • Assessing the adequacy of Group’s presentation and disclosures in the financial statements.
<p>Carrying value of goodwill – Note 2(h) and Note 15</p> <p>The Group has recorded goodwill totalling \$46,446,049 (2018: \$46,446,049) at 30 June 2019 across two Cash Generating Units (CGU).</p> <p>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"> • forecasted budgeted financial performance; • estimated growth rates; • working capital adjustments; • estimated capital expenditure; • discount rate; and • terminal value. <p>These estimates and judgements requires specific valuation expertise and analysis.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Understanding and documenting 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; • Evaluating the value-in-use models against the requirements of AASB 136 “Impairment of Assets”, including consultation with our valuation auditor’s expert; • Reviewing management’s value-in-use calculations to: <ul style="list-style-type: none"> - Test the mathematical accuracy of the calculations; - Evaluate management’s ability to perform accurate estimates; - Test forecast cash inflows and outflows to be derived by the CGUs assets; and - Agree discount rates applied to forecast future cash flows. • Performing sensitivity analysis on the significant inputs and assumptions made by management in preparing its calculation; and • Assessing the adequacy of financial statements disclosures.

Independent Audit Report (continued)



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 2019, 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. 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 11 to 18 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Empired Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Independent Audit Report (continued)



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

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, 12 August 2019

Shareholding Analysis

In accordance with Listing Rule 4.10 of ASX Limited, the Directors provide the following shareholding information which was applicable as at 29th July 2019.

a. Distribution of Shareholding

	Number of shareholders	%
Size of Shareholding		
1 - 1,000	136	0.04
1,001 - 5,000	487	0.86
5,001 - 10,000	287	1.37
10001 - 100,000	471	10.25
100,001 - max	133	87.48
Total	1,514	100.00

b. Substantial Shareholders

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

	Number of shares held	%
Shareholder		
National Nominees Ltd ACF Australian Ethical Investment Limited	24,381,400	15.23
Tiga Trading Pty Ltd	23,106,794	14.43
Microequities Asset Management Pty Ltd	13,308,937	8.31
Baskerville Investments Pty Ltd	7,450,059	6.21

c. Twenty Largest Shareholders

Name	Number of shares held	%
NATIONAL NOMINEES LIMITED	30,756,035	19.21
UBS NOMINEES PTY LTD	23,106,794	14.43
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	12,770,384	7.98
ZERO NOMINEES PTY LTD	8,728,605	5.45
BASKERVILLE INVESTMENTS PTY LTD <BASKERVILLE FAMILY A/C>	7,780,000	4.86
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	3,644,809	2.28
MR JOHN ALEXANDER BARDWELL	3,150,000	1.97
BNP PARIBAS NOMS (NZ) LTD <DRP>	2,325,000	1.45
ICE COLD INVESTMENTS PTY LTD	1,962,275	1.23
GABRIELLA NOMINEES PTY LTD <ERROL WILFRED LEVITT A/C>	1,600,000	1.00
BRANDONS TRUSTEE COMPANY LIMITED <THE PAYNE FAMILY A/C>	1,570,517	0.98
MR GREGORY DAVID LEACH	1,370,000	0.86
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,315,510	0.82
BASKERVILLE INVESTMENTS PTY LTD <BASKERVILLE FAMILY A/C>	1,288,983	0.80
MICROEQUITIES ASSET MANAGEMENT PTY LTD <MICROEQUITIES NANOCAP 9 A/C>	1,211,726	0.76
MR MARK EDWARD WALLER <M E WALLER FAMILY A/C>	1,206,229	0.75
MR TONY JOHN ALAN STEWART	1,134,921	0.71
BARDWELL SUPERANNUATION FUND PTY LTD <BARDWELL SUPER FUND A/C>	1,099,904	0.69
UNIPLEX CONSTRUCTIONS PTY LTD <WESVILLE SUPER FUND A/C>	1,065,500	0.67
MCCUSKER HOLDINGS PTY LTD	1,000,000	0.62
Total	108,087,192	67.50

The twenty members holding the largest number of shares together held a total of 67.5% of issued capital.

d. Issued Capital**(i) Ordinary Shares**

The fully paid issued capital of the company consisted of 160,127,197 shares held by 1,514 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

2,321,000 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 is regularly updated and provides details of recent material announcements by the Company to the stock exchange, annual reports and general information on the Company and its business. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

INTERNET ACCESS TO INFORMATION

Empired maintains a comprehensive Investor Relations section on its website at www.empired.com/Investors/

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

By registering with Computershare's free Investor Centre service you can enjoy direct access to a range of functions to manage your personal investment details. You can create and manage your own portfolio of investments, check your security holding details, display the current value of your holdings and amend your details online.

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

SHARE REGISTRY ENQUIRIES

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

The Registrar

Computershare Investor Services Pty Ltd Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone +61 8 9323 2000
Facsimile +61 8 9323 2033
Website www-au.computershare.com/investor

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of Empired Limited will be held at:

**Canning Room, Adina Apartment Hotel
33 Mounts Bay Road in Perth
at 11am on Thursday, 28 November 2019**

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



Empired

www.empired.com