

27 February 2015

# ASX Announcement

## Appendix 4D Half Year Results

### First Half Operating Results

- **Half Year Revenue of \$50M up 74% against H1 FY14**
- **Reported Half Year EBITDA of \$3.9M up 236%**
- **<sup>(1)</sup> Underlying Half Year EBITDA of \$4.4M**
- **<sup>(1)</sup> Underlying First Half Net Profit after Tax \$1.7M**

### Commentary on Operating Results

- During a period of significant change and growth, management are very pleased with reported and underlying results and are looking forward to a strong second half.
- First half results included only two months of Revenue contribution from Interger (acquired 31 October 2014), totalling \$10M with nil contribution to EBITDA for the period.
- Underlying EBITDA margin expansion from 6% in H1 FY14 to 9% in H1 FY15.
- Interger Revenue contribution in the second half is expected to be c\$30M, placing Empired at the upper end of Revenue guidance of \$110M to \$120M for FY15.
- During the half year period all major contracts both at a Revenue and Margin contribution level performed in line with management expectations.
- NPAT & EPS negatively affected by higher than expected tax rate of 34% (expect to be in line with historic rates in second half) and higher than expected interest costs relating to international debt as part of the Interger acquisition, currently being renegotiated.
- Operating cash flows were impacted by:
  - \$1.85m of transaction costs paid during the period (\$0.5M related to Empired's transaction costs and the remainder related to Interger's corporate and legal fees which were offset by a reduction in the purchase price of Interger),
  - WIP increased by \$4m from prior period relating to two major fixed price projects (invoiced in Jan & Feb), and
  - An increase in debtor days as a result of the implementation of a new ERP in New Zealand.
- Empired is expecting strong positive operating cash flow in H2 FY15.

<sup>(1)</sup>Underlying result excludes \$0.5M of transaction costs incurred as part of the acquisition of Interger Limited on 31 October 2014.

## First Half Highlights

- Completed the acquisition of InterGen Ltd, expected to contribute c\$60M of annualised Revenue.
- Achieved all key milestones as part of the InterGen integration plan to December 31, 2014.
- Executing on a number of cost saving initiatives.
- Saw significant increase in the number of sales opportunities generated through acquired customer bases.
- Matured c\$100m in strategic sales pipeline of new multi-year contracts.
- Advanced our positioning and investments in cloud based services & IP including our IaaS platform “flexScale”, our document & records management SaaS solution “Cohesion” and our workflow in the cloud solution “FormPlicity”.
- This IP will materially strengthen a number of multi-million dollar contracts being contested as part of our c\$100m strategic deals pipeline and are all annuity based revenue models.

## FY15 Full Year Outlook

- Management is confident on delivering a strong FY15 financial result and at the upper end of Revenue guidance.
- On the back of delivering a strong FY15 financial result the Board expects to declare an increased fully franked final dividend.
- Management is confident on a strong conversion rate during the second half on its c\$100M contract pipeline and looks forward to informing the market during this period.
- Contract success over the coming months combined with the recent acquisitions will underpin exceptional Revenue and Earnings growth into FY16.
- Empired continues to assess acquisition opportunities to complement its organic growth pipeline and accelerate its business strategy.

For more information please contact:

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Empired Limited  
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ABN 81 090 503 843

## Important notice re forward looking statements

Certain statements made in this communication, may contain or comprise certain forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, and business and operational risk management. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

## About Empired Limited

Empired Limited is an IT Services provider with a broad range of capabilities targeted at delivering enterprise IT solutions that improve efficiency, productivity and competitive advantage for our clients.

Our clients are medium to large corporate and government organisations within key industries including Energy and Natural Resources, State and Federal Government, Finance and insurance, Utilities and Transport.

Our solutions are delivered through three core lines of business, Infrastructure Services, Applications & Consulting and Microsoft Business Solutions. Together they provide a breadth of service and expertise not seen in other consultancies of similar pedigree allowing Empired to deliver 'end to-end' business solutions that assist our customers in driving their key business outcomes.

With a team of over 800 people located throughout Australia, New Zealand and North America, Empired has built a reputation for service excellence. This combined with our strategy that is underpinned by initiative, innovation and growth ensures that in a dynamic and rapidly growing technology market place Empired is strongly positioned to capture market share and continue to build on its success.

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

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**Appendix 4D**  
Interim Financial Report 31 December 2014

Reporting Period: Half year ended 31 December 2014  
Previous Corresponding Period: Half year ended 31 December 2013

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

Results		<u>Change from</u> <u>31 Dec 2013</u> <u>(\$)</u>	<u>Change from</u> <u>31 Dec 2013</u> <u>(%)</u>	<u>31 Dec 2014</u> <u>(\$)</u>
Total revenue	Up	21,489,934	74%	50,457,966
Profit before Interest, Tax, Depreciation and Amortisation (EBITDA)	Up	2,714,938	236%	3,863,611
Net profit for the period attributable to members (NPAT)	Up	1,188,329	3,222%	1,151,447

Net tangible asset backing per ordinary share	31 Dec 2014	31 Dec 2013
Net tangible asset backing per ordinary share	0.17c	5.39c

Dividends	Amount per security	Franked amount
Interim dividend FY15	-	-
Final dividend FY14	1.0 cents	1.0 cents

**Details of entities over which control has been gained or lost during the period:** InterGen Limited was acquired on 31<sup>st</sup> October, 2014. Please refer to note 8 of the Interim Financial Statements for further information.

**Details of individual and total dividends and payment dates:** Please refer to Results for Announcement to Market above.

**Details of dividend reinvestment plan:** Not applicable.

**Details of associates and joint venture entities:**  
InterGen X4 Holdings Limited (50%).

**For foreign entities, accounting standards used in compiling the report:**  
Not applicable.

**Description of any modified opinion, emphasis of matter or other matter paragraph contained in the independent auditor's review report:** Not applicable. The independent auditor's review report is attached to the Interim Financial Report. The independent auditor's review report does not contain any modified opinion, emphasis of matter, or matter paragraph.





**EMPIRED LIMITED AND ITS CONTROLLED ENTITIES**  
INTERIM FINANCIAL REPORT

# Half Year Report

**FOR THE HALF YEAR ENDED 31ST DECEMBER 2014**

ABN 81 090 503 843

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# Corporate Directory

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## Directors

Mel Ashton (Non-Executive Chairman)  
Richard Bevan (Non-Executive Director)  
John Bardwell (Non-Executive Director)  
Russell Baskerville (Managing Director & CEO)

## Registered Office

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

## Company Number

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

## Principal Places of Business

### Perth

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

### Melbourne

Level 5, 257 Collins Street  
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Telephone No: +613 8610 0700  
Fax No: +613 8610 0701

### Seattle

2883 152nd Ave NE  
Suite 12H  
Redmond, WA, 98052  
USA

## Company Secretary

Mark Waller

## Legal Advisers

Jackson McDonald Lawyers  
Level 25, 140 St Georges Terrace  
PERTH WA 6000

## Auditors

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

## Share Register

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

## ASX Code

EPD

### Adelaide

Level 2, 8 Leigh Street  
ADELAIDE SA 5000

### Brisbane

Level 11, 79 Adelaide Street  
BRISBANE QLD 4000

### Wellington

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126 Lambton Quay  
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WELLINGTON 6145  
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Fax No: +64 4 472 2027

### Sydney

Level 9, 37 York Street  
SYDNEY NSW 2000

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



# Directors' Report

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The directors present their interim report together with the consolidated half year financial report of Empired Limited ("the Company") and its controlled entities, for the half-year ended 31 December 2014.

## Directors' Names

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

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

## Review of Results & Operations

Revenue in the business for the half-year was \$50.5 million (2013: \$28.9 million) representing an increase of 74% on the same period in the preceding half-year.

Consolidated comprehensive income after tax for the half-year was \$1,151,447 (2013: \$36,882 loss).

On the 31st of October 2014 Empired Limited ("Empired") acquired 100% of the shares in Interger Limited ("Interger"). Please refer to Note 8 for further information.

## Dividends

The directors of Empired Limited have not declared a dividend for the half year ended 31 December 2014. The company paid a full year dividend of \$0.01 per ordinary share.

## Options

During the course of the half year no share options were granted under the Company's Employee and Executive Share Option Plans.

## Performance Rights

During the course of the half-year 2,050,000 performance rights were granted to Executive Managers of Empired. These were granted on 27<sup>th</sup> of November 2014 following shareholder approval of the issue to Russell Baskerville.

On the 31st October 2014, 600,000 performance rights were issued to the senior leadership team of Interger as part of the Interger purchase price.

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

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

## Directors' Report (Continued)

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### Indemnification of Officers and Directors

The Directors, Secretary and certain former directors of Empired Limited have been indemnified by the company in respect of their potential liability to third parties.

Signed in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'R. Baskerville', is written over a faint, larger signature.

Russell Baskerville  
Managing Director  
Perth, 26th February 2015

# Statement of Profit or Loss and Other Comprehensive Income

## FOR THE HALF YEAR ENDED 31 DECEMBER 2014

		<b>Consolidated 6 months to 31 December 2014</b>	<b>Consolidated 6 months to 31 December 2013</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Continuing operations</b>			
Revenue	2	50,457,966	28,968,032
Cost of sales		<u>(32,569,478)</u>	<u>(20,322,900)</u>
<b>Gross profit</b>		17,888,488	8,645,132
Other Income	2	80,747	45,541
Administration expenses	3	(12,464,099)	(6,754,553)
Marketing expenses		(260,323)	(84,782)
Occupancy expenses		(1,926,470)	(1,011,293)
Finance expenses		(559,204)	(351,678)
Other expenses		(463,513)	(111,790)
Acquisition transaction costs		<u>(498,402)</u>	<u>(481,409)</u>
<b>Profit / (loss) before income tax</b>		1,797,224	(104,832)
Income tax (expense) / benefit		<u>(610,069)</u>	<u>67,950</u>
<b>Profit / (loss) for the half-year</b>		<b>1,187,155</b>	<b>(36,882)</b>
<b>Other comprehensive income for the half-year, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(35,708)</u>	<u>-</u>
<b>Total comprehensive income / (loss) for the half-year</b>		<b>1,151,447</b>	<b>(36,882)</b>
<b>Earnings / (loss) per share (cents per share):</b>			
Basic earnings / (loss) per share		1.11	(0.05)
Diluted earnings / (loss) per share		1.10	(0.04)

*This Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.*

# Statement of Financial Position

AS AT 31 DECEMBER 2014

		<b>Consolidated 31 December 2014</b>	<b>Consolidated 30 June 2014</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	6,927,788	8,062,006
Trade and other receivables		19,212,139	11,134,232
Work In Progress		5,934,735	3,254,637
Other current assets		1,831,264	784,062
<b>Total Current Assets</b>		<b>33,905,926</b>	<b>23,234,937</b>
<b>Non-Current Assets</b>			
Investments in associates		168,132	-
Plant and equipment		17,597,803	12,785,700
Intangible assets	6	48,176,649	27,801,166
Deferred tax asset		3,599,469	2,226,705
<b>Total Non-current assets</b>		<b>69,542,053</b>	<b>42,813,571</b>
<b>TOTAL ASSETS</b>		<b>103,447,979</b>	<b>66,048,508</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		14,766,464	9,837,270
Borrowings		11,621,328	3,464,781
Deferred Vendor Payments		2,366,920	2,551,850
Provisions		3,235,396	1,999,040
<b>Total Current Liabilities</b>		<b>31,990,108</b>	<b>17,852,941</b>
<b>Non-current Liabilities</b>			
Borrowings		8,196,482	9,722,679
Deferred Vendor Payments		11,121,564	857,150
Provisions		389,198	358,426
Deferred tax liability		3,376,043	2,790,996
<b>Total Non-current Liabilities</b>		<b>23,083,287</b>	<b>13,729,251</b>
<b>TOTAL LIABILITIES</b>		<b>55,073,395</b>	<b>31,582,192</b>
<b>NET ASSETS</b>		<b>48,374,584</b>	<b>34,466,316</b>
<b>EQUITY</b>			
Issued capital		37,782,220	24,362,663
Reserves	5	1,112,340	711,604
Retained profits		9,480,024	9,392,049
<b>TOTAL EQUITY</b>		<b>48,374,584</b>	<b>34,466,316</b>

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



# Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

		<b>Consolidated 6 months to 31 December 2014</b>	<b>Consolidated 6 months to 31 December 2013</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		47,464,130	27,198,830
Payments to suppliers and employees		(50,445,688)	(27,563,915)
Borrowing costs		(506,105)	(333,345)
Income tax paid		(248,600)	(117,202)
Interest received		80,747	45,541
<b>Net cash flows (used in) / from operating activities</b>		<b>(3,655,516)</b>	<b>(770,091)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(4,160,053)	(2,080,748)
Acquisition of subsidiary net of cash		(8,849,617)	(16,003,126)
Deferred payment in relation to business acquisition of prior year		(2,051,850)	-
<b>Net cash flows (used in) investing activities</b>		<b>(15,061,520)</b>	<b>(18,083,874)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(1,488,830)	(1,376,692)
Payment of capital raising costs		(561,417)	(850,077)
Proceeds from issue of shares		13,815,917	16,170,000
Dividends paid		(1,099,180)	(339,591)
Repayment of finance lease liabilities		(496,363)	(430,247)
Proceeds from borrowings		7,575,281	11,816,042
<b>Net cash flows from financing activities</b>		<b>17,745,408</b>	<b>24,989,435</b>
Net increase / (decrease) in cash and cash equivalents		(971,628)	6,135,470
Effect of exchange rate fluctuations on cash held		(162,590)	-
Cash and cash equivalents at beginning of period		8,062,006	2,085,912
<b>Cash and cash equivalents at end of period</b>	<b>4</b>	<b>6,927,788</b>	<b>8,221,382</b>

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

# Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	<i>Issued Capital</i>	<i>Retained Profits</i>	<i>Foreign Currency Translation Reserve</i>	<i>Other Reserves</i>	<i>Total Equity</i>
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	24,362,663	9,392,049	-	711,604	34,466,316
Total comprehensive income for the period	-	1,187,155	(35,708)	-	1,151,447
Cost of share-based payments	-	-	-	436,444	436,444
Options exercised	120,000	-	-	-	120,000
Issue of shares	13,695,917	-	-	-	13,695,917
Dividends Paid	-	(1,099,180)	-	-	(1,099,180)
Capital raising cost	(396,360)	-	-	-	(396,360)
<b>Balance at 31 December 2014</b>	<b>37,782,220</b>	<b>9,480,024</b>	<b>(35,708)</b>	<b>1,148,048</b>	<b>48,374,584</b>
<b>Balance at 1 July 2013</b>	<b>8,779,678</b>	<b>5,938,147</b>	<b>-</b>	<b>461,126</b>	<b>15,178,951</b>
Total comprehensive income for the period	-	(36,882)	-	-	(36,882)
Cost of share-based payments	-	-	-	185,112	185,112
Options exercised	670,000	-	-	-	670,000
Issue of shares	15,500,000	-	-	-	15,500,000
Dividends Paid	-	(339,590)	-	-	(339,590)
Capital raising cost	(840,357)	-	-	-	(840,357)
<b>Balance at 31 December 2013</b>	<b>24,109,321</b>	<b>5,561,675</b>	<b>-</b>	<b>646,238</b>	<b>30,317,234</b>

*The Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

# Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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## 1 SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

This general purpose financial report for the interim half-year reporting period ended 31 December 2014 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

### Basis of preparation

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Empired Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting date except for the adoption of the following new and revised Accounting Standards.

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

Effective date: 1 January 2018

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- (a) financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows
- (b) allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- (c) introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments
- (d) financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases
- (e) where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - the change attributable to changes in credit risk are presented in other comprehensive income (OCI)
  - the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- de-recognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Effective date: 1 January 2017

AASB 15:

- replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations
- establishes a new revenue recognition model
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

In the Australian context, AASB 15 will apply to contracts of not-for-profit (NFP) entities that are exchange transactions. AASB 1004 *Contributions* will continue to apply to non-exchange transactions until the Income from Transactions of NFP Entities Project is completed (with an Exposure Draft inviting public comment on those proposals targeted for issue in Q1 2015).

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2017.

### AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)

Effective date: 1 July 2014

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards *Annual Improvements to IFRSs 2010-2012 Cycle* and *Annual Improvements to IFRSs 2011-2013 Cycle*.

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2010-2012 Cycle*:

- (a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and
- (b) amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2011-2013 Cycle* clarify that an entity should assess whether an acquired property is an investment property under AASB 140 *Investment Property* and perform a separate assessment under AASB 3 *Business Combinations* to determine whether the acquisition of the investment property constitutes a business combination.

Part B of AASB 2014-1 makes amendments to AASB 119 *Employee Benefits* to incorporate the IASB's practical expedient amendments finalised in International Financial Reporting Standard *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19) in relation to the requirements for contributions from employees or third parties that are linked to service.

The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by paragraph 70 of AASB 119 for the gross benefit.

When these amendments are first adopted for the year ending 31 December 2015, there will be no material impact on the entity.



# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality)**

Effective date: 1 July 2014

When these amendments are first adopted for the year ending 31 December 2015, there will be no material impact on the entity.

### **AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14)**

Effective date: 1 January 2016

Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.

When these amendments are first adopted for the year ending 31 December 2015, there will be no material impact on the entity.

### **AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)**

Effective date: 1 January 2015

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 *Financial Instruments* to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 *Hedge Accounting* into AASB 9 and to amend reduced disclosure requirements for AASB 7 *Financial Instruments: Disclosures* and AASB 101 *Presentation of Financial Statements*.

The entity has not yet assessed the full impact of these amendments.

### **AASB 2014-2 Amendments to AASB 1053 - Transition to and between Tiers, and related Tier 2 Disclosure Requirements**

Effective date: 1 July 2014

AASB 2014-2 makes amendments to AASB 1053 *Application of Tiers of Australian Accounting Standards* to:

- clarify that AASB 1053 relates only to general purpose financial statements
- make AASB 1053 consistent with the availability of the AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* option in AASB 1 *First-time Adoption of Australian Accounting Standards*
- clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1
- permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather than applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements; and
- specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.

When these amendments are first adopted for the year ending 31 December 2015, there will be no material impact on the entity.

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation**

Effective date: 1 January 2016

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e., a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- (a) the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- (b) when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

When these amendments are first adopted for the year ending 31 December 2016, there will be no material impact on the transactions and balances recognised in the financial statements.

### ***Annual Improvements to IFRSs 2012-2014 Cycle***

Effective date: 1 January 2016

Annual Improvements to IFRSs 2012-2014 Cycle is a series of amendments to IFRSs in response to issues raised during the 2012-2014 cycle for annual improvements.

Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of IFRS 5

Non-current Assets Held for Sale and Discontinued Operations does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of IFRS 5.

The AASB is expected to publish the equivalent Australian amendments in quarter 1 of 2015.

When these amendments are first adopted for the year ending 31 December 2016, there will be no material impact on the financial statements.

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Disclosure Initiative – Amendments to IAS 1 *Presentation of Financial Statements*

Effective date: 1 January 2016

The amendments:

- (a) clarify the materiality requirements in IAS 1, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- (b) clarify that IAS 1's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- (c) add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- (d) clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- (e) remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.

When these amendments are first adopted for the year ending 31 December 2016, there will be no material impact on the financial statements.

### Key assumptions

#### ***Impairment***

Indicators of impairment were not identified and no impairment testing was performed.

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

## 2 REVENUES

	<i>Consolidated 6 months to 31 December 2014</i>	<i>Consolidated 6 months to 31 December 2013</i>
	\$	\$
<b>Sales Revenue</b>		
Sales	50,457,966	28,968,032
<b>Other Revenue</b>		
Interest	80,745	45,212
Other	2	329
	<u>80,747</u>	<u>45,541</u>

## 3 ADMINISTRATION EXPENSES

Profit before income tax includes the following specific expenses:

Employee benefits	8,509,851	4,727,427
Legal expenses	115,886	14,943
Depreciation expenses	1,440,660	849,973
Amortisation expenses	119,622	69,458
Insurance	192,421	101,358
Travel	687,175	249,390
Corporate costs	1,398,484	742,004
	<u>12,464,099</u>	<u>6,754,553</u>

## 4 CASH AND CASH EQUIVALENTS

Reconciliation of cash and cash equivalents

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

	<i>Consolidated 31 December 2014</i>	<i>Consolidated 30 June 2014</i>
	\$	\$
Term Deposit	13,439	575,208
Cash Assets	6,914,349	7,486,798
Net cash and cash equivalents	<u>6,927,788</u>	<u>8,062,006</u>

The term deposits held are restricted by bank guarantees held by the Company in relation to some of its rental premises (Note 7).



# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

## 5 RESERVES

	<i>Consolidated 31 December 2014</i>	<i>Consolidated 30 June 2014</i>
	<i>\$</i>	<i>\$</i>
Option reserve	1,112,340	711,604
<b>Share Options</b>	<b>No.</b>	<b>No.</b>
Movement in options on issue		
Balance at beginning of period	900,000	3,050,000
Options expired/forfeited		
Executive options	-	-
Sales executive options	-	-
Options exercised		
Executive options	(400,000)	(2,150,000)
Options granted		
Executive options	-	-
Balance at end of period	<u>500,000</u>	<u>900,000</u>
<b>Performance Rights</b>	<b>No.</b>	<b>No.</b>
Movement in performance rights on issue:		
Balance at beginning of period	3,770,000	1,350,000
Performance rights expired/forfeited		
Executive performance rights	-	(320,000)
Performance rights exercised		
Executive performance rights	(950,000)	-
Performance rights granted		
Executive performance rights	2,050,000	2,740,000
Purchaser performance rights	600,000	-
Balance at end of period	<u>5,470,000</u>	<u>3,770,000</u>

The fair value of options granted are issued at the share price on the date of grant, taking into account probabilities based on the terms and conditions upon which the options were granted.

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

## 6 INTANGIBLE ASSETS

	<i>Consolidated 31 December 2014</i>	<i>Consolidated 30 June 2014</i>
	\$	\$
<b>Goodwill</b>		
Cost	46,335,019	27,105,898
Net carrying value	46,335,019	27,105,898
<b>Software</b>		
Cost	2,042,428	700,484
Amortisation	(570,948)	(255,236)
Net carrying value	1,471,480	445,248
<b>Other</b>		
Cost	491,680	328,286
Amortisation	(121,530)	(78,266)
Net carrying value	370,150	250,020
<b>Total intangibles</b>	<b>48,176,649</b>	<b>27,801,166</b>

During the current period intangibles allocated as “other” were recognised as part of the acquisition of Interger Limited. Refer to Note 8 Acquisitions for more information.

	<i>Goodwill</i>	<i>Software</i>	<i>Other</i>	<i>Total</i>
<b>Period ended 31 December 2014</b>				
Balance at the beginning of the year	27,105,898	445,248	250,020	27,801,166
Additions from business combinations	19,229,121	-	-	19,229,121
Additions	-	1,341,943	163,394	1,505,337
Disposals	-	-	-	-
Amortisation charge	-	(315,711)	(43,264)	(358,975)
Impairment losses	-	-	-	-
Closing value at 31 December 2014	46,335,019	1,471,480	370,150	48,176,649
<b>Year end 30 June 2014</b>				
Balance at the beginning of the year	11,296,386	151,593	213,727	11,661,706
Additions from business combinations	15,809,512	-	-	15,809,512
Additions	-	390,389	78,983	469,372
Disposals	-	-	-	-
Amortisation charge	-	(96,734)	(42,690)	(139,424)
Impairment losses	-	-	-	-
Closing value at 30 June 2014	27,105,898	445,248	250,020	27,801,166

Intangible assets, other than goodwill, have finite lives and are required to be amortised over their expected lives. Goodwill has an infinite life.

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

## 7 CONTINGENT LIABILITIES

The company has in place facility backed bank guarantees in relation to rental premises listed below:

	<i>Consolidated 31 December 2014</i>	<i>Consolidated 30 June 2014</i>
	\$	\$
Bank Guarantee	1,786,125	1,389,988

Rental Premises:

Level 13, 256 Adelaide Terrace, Perth, WA 6000  
Level 5 & 10 257 Collins Street, Melbourne, VIC 3000  
Suite 11A, Level 11, 79 Adelaide Street, Brisbane, QLD 4000  
Level 2, 8 Leigh Street, Adelaide, SA 5000  
Level 9, 37 York Street, Sydney, NSW 2000  
Level 2, 1292 Hay Street, West Perth, WA 6005  
Level 12, 9 Hunter Street, Sydney, NSW  
Ground floor, 23 Union Street, South Melbourne  
Level 8, 39 Martin Place, Sydney, NSW 2000  
Intergen House, Level 5, 56 William Street, Perth, WA 6000  
Level 2, 15 Huron Street, PO Box 331-328 Takapuna Beach, Auckland 0740  
Unit 7, Airport Business Park, 92 Russley Road, Christchurch 8042  
Suite 103, 66 Berry Street, North Sydney, NSW 2060

## 8 ACQUISITIONS

On the 31st of October 2014, Empired Limited acquired 100% of the issued share capital in Intergen Limited ("Intergen") for \$17.4 million. Intergen is a tier 1 IT Services company that delivers business outcomes to medium and large companies of all industries across New Zealand, Australia and North America, using the full range of Microsoft Solutions.

In addition, Intergen, which employs approximately 370 staff, is a leader in Microsoft Enterprise Planning ("ERP") services, introducing a new service offering to Empired in a large and high growth market. The acquisition strategically positions Empired as the largest provider of Microsoft based application services in the Australasian region. The increased scale will improve Empired's positioning to secure larger contracts with larger clients and the increased staff numbers will allow more efficient use of resources.

Under the terms of the transaction, Empired will pay a purchase price of \$17.4 million over a three year period with \$5 million paid on the completion date through a combination of cash and equity. The remaining \$12.4 million is subject to FY15 and FY16 EBITDA performance with \$2 million due on 30 April 2015, \$5.2 million due on 30 April 2016 and the final \$5.2m due on 30 April 2017.

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

## 8 ACQUISITIONS (Continued)

The acquisition had the following effect on the consolidated entity's assets and liabilities:

	<i><b>Fair Value</b></i> <b>\$</b>
<b>Net tangible assets acquired</b>	
Cash	564,274
Receivables	6,977,592
Work in progress	553,430
Other assets	920,696
Property, plant and equipment	2,527,191
Other investments	335,257
Deferred tax assets	1,275,833
Short term bank debt	(4,699,760)
Trade and other payables	(5,024,928)
Deferred revenue	(1,670,572)
Employee liabilities	(2,966,574)
Deferred tax liability	(91,577)
Other liabilities	(1,574,189)
	<u>(2,873,327)</u>
<b>Other identifiable assets acquired</b>	
Developed assets	680,016
Non-compete clause	29,121
Customer relationship	122,535
	<u>831,672</u>
<b>Goodwill</b>	<u>19,229,121</u>
<b>Total consideration</b>	<u>17,187,466</u>
Deferred payments	(12,131,334)
Performance Rights issued as consideration	(342,000)
Shares issued as consideration	(3,195,917)
Cash and cash equivalents acquired	(564,274)
<b>Net cash outflow on acquisition</b>	<u>953,941</u>
Acquisition costs charged to expenses	498,402
<b>Net cash paid relating to acquisition</b>	<u><u>1,452,343</u></u>

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

## 9 SEGMENT REPORTING

Management identifies its operating segments based on the Group's geographical presence, which represent the main products and services provided by the Group. The Group's three (3) main operating segments are:

- Australia
- New Zealand
- USA

Each of these operating segments is managed separately across all service lines. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. In addition, the corporate function, for which the quantitative threshold for separate disclosure has not been met, is reported under Other.

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

	<i>Australia</i>	<i>New Zealand</i>	<i>US</i>	<i>Other</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Six (6) months to 31 December 2014</b>					
<b>Revenue</b>					
From external customers	42,325	6,580	1,555	78	50,538
<b>Segment revenues</b>	<b>42,325</b>	<b>6,580</b>	<b>1,555</b>	<b>78</b>	<b>50,538</b>
Segment operating EBITDA	3,840	(212)	247	-	3,875
Segment assets	88,783	12,977	1,592	-	103,352

### **Six (6) months to 31 December 2013**

<b>Revenue</b>					
From external customers	28,980	-	-	33	29,013
<b>Segment revenues</b>	<b>28,980</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>29,013</b>
Segment operating EBITDA	1,148	-	-	-	1,148
Segment assets	61,079	-	-	-	61,079

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

	<i>Consolidated 6 months to 31 December 2014</i>	<i>Consolidated 6 months to 31 December 2013</i>
	<i>\$</i>	<i>\$</i>
Total reporting segment operating profit	4,018	1,187
Share-based payment expenses	(143)	(39)
Group operating profit	3,875	1,148
<b>Share of profit from equity accounted investments</b>		
Finance costs	(506)	(316)
Finance income	-	(16)
Other financial items	(1,572)	(920)
<b>Group profit before tax</b>	<b>1,797</b>	<b>(104)</b>

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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## 10 SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## Directors' Declaration

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The Directors of the Company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
  - i. comply with Accounting Standards; and
  - ii. give a true and fair view of the financial position as at 31 December 2014 and of the performance for the period ended on that date of the consolidated group.
2. The Chief Executive Officer and the Chief Financial Officer have each declared that:
  - i. the financial records of the Company for the financial period have been properly maintained in accordance with s286 of the Corporations Act 2001;
  - ii. the financial statements and notes for the financial period comply with the Accounting Standards; and
  - iii. the financial statements and notes for the financial period give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



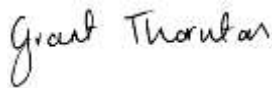
Russell Baskerville  
Managing Director & CEO  
Perth, 26th February 2015

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**Auditor's Independence Declaration  
To The Directors of Empired Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Empired Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner - Audit & Assurance

Perth, 26 February 2015

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## **Independent Auditor's Review Report To the Members of Empired Limited**

We have reviewed the accompanying half-year financial report of Empired Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

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

The directors of Empired Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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As the auditor of Empired Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

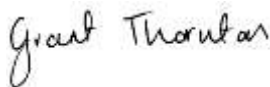
### **Independence**

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

### **Conclusion**

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner - Audit & Assurance

Perth, 26 February 2015