*Results for announcement to the market*

# Annual Financial Report and Appendix 4E for the year ended 30 June 2016

## Empired Limited and its Controlled Entities

ABN 81 090 503 843

Lodged with the ASX under Listing Rule 4.3A

The previous corresponding period is 30 June 2015.

| **Results for Announcement to Market** | | | | **Year Ended 30 June 2016 $** | **Year Ended 30 June 2015 $** |
|---|---|---|---|---|---|
| **Revenue** from ordinary activities | Up | 25% | to | 159,982,870 | 128,312,973 |
| **Profit** before Interest, Tax, Depreciation and Amortisation **(EBITDA)** | Down | 31% | to | 7,469,325 | 10,876,175 |
| **Net (loss) / profit** for the period attributable to members (**NPAT**) | Down | 133% | to | (1,724,378) | 5,273,514 |

**Dividends**

Nil

| **Net tangible assets per security** | **Year Ended 30 June 2016** | **Year Ended 30 June 2015** |
|---|---|---|
| Net tangible asset backing per ordinary share | $ (0.02) | $ (0.02) |

**Statement of Profit or Loss and Other Comprehensive Income**
Refer to attached annual report

**Statement of Financial Position**
Refer to attached annual report

**Statement of Changes in Equity**
Refer to attached annual report

**Statement of Cash Flows**
Refer to attached annual report

**Details of associates and joint venture entities**
Refer note 13 in the attached annual report.

**Commentary on the results for the period**
Refer Chairman & CEO’s review and Director’s Report included in the attached report.

**Audit**
This Appendix 4E is based on the attached financial report. The financial report has been audited and contains an independent audit report.

# Annual Report


Empired

**EMPIRED LIMITED 30 JUNE 2016**

ABN 81 090 503 843

# Contents

# Corporate Directory

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

**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

**Company Secretary**
David Hinton

**Legal Advisers**
Jackson McDonald Lawyers
Level 17, 225 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 11, 172 St Georges Terrace
PERTH WA 6000

**ASX Code**
EPD

**Principal Places of Business**

**Perth**
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Telephone No: +618 6333 2200
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**Adelaide**
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**Brisbane**
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**Website**
www.empired.com

# Highlights & Results

## FY16 Financial Results

Revenue $160m - H1 $79m - H2 $81m

EBITDA[(1)] $8.2m - H1 $1.2m - H2 - $7.0m

Positive Operating Cash Flow of $11.6m - H1$(1.3)m - H2 $12.9m

Undrawn bank facilities and cash of $14m

Net Debt at 30 June 2016 of $25.6m

## FY16 Highlights

Revenue growth of 25% on prior year.

Organic Revenue growth of 9% on prior year.

55% of Revenue generated from long term multi-year contracts or recurring / support style revenue.

Investments in Data Analytics, Digital and Microsoft Dynamics resulted in oustanding growth across all three service offerings.

Made strategic investments in Cloud, Mobility and Cohesion during the year.

Transitioned in $35m of strategic annuity based contracts.

Cohesion market share accelerated to 4,500 users within NZ Government with strong growth anticipated in FY17.

Implementation of an integrated operating / organisational model across Australia and New Zealand.

Implemented a portfolio based sales organisation across Australia.

## FY17 Outlook

Expecting solid growth in all key financial metrics in FY17.

Enter FY17 with record level of contracted Revenue.

Acute financial focus on profitability, operating cash flow and net debt reduction.

Strong sales pipeline, refreshed sales leadership and expecting to benefit from portfolio based sales model.

Positioned to secure strategic wins and growth in Cohesion in FY17.

Confident that our strategic positioning is aligned with growth trends supporting our ambition to continue to capture market share during a time of significant change and disruption in the ICT sector.

*[(1)] EBITDA adjusted to exclude the write off of $0.7m for doubtful debtors relating to prior financial periods H1 $0.3m & H2 $0.4m.*

# Chairman & CEO Review

Dear Shareholder

On behalf of your Board of Directors we are pleased to present the Empired Limited 2016 annual report. The year was one of consolidation, acquisition integration and organisational alignment following a period of rapid expansion, preparing Empired for its next chapter of growth. These initiatives had a negative impact on our financial performance in the first half of the financial year but we are confident they will contribute to long term sustainability and value creation for our shareholders. We are acutely aware of the impact this has had on shareholder value and our focus is on re-establishing market credibility and building shareholder wealth. Pleasingly, the second half delivered improved results in revenue, EBITDA and operating cash flow.

The initiatives undertaken during the 2016 financial year position Empired to maximise the breadth of services provided to our clients, improve our customer experience, enhance the quality of our services whilst ensuring a disciplined approach to risk management, operational excellence and to reduce our overhead costs. These key outcomes will ensure our business model is robust and scalable in a controlled manner, providing confidence in our ability to continue our long established track record of consistent revenue and earnings growth.

We continued to focus on developing our people and culture, the tools and systems used to provide our services, the development of reusable IP (specifically in cloud and mobile software products) and again grew our long term contracted revenue where we secured and successfully transitioned in $35m in strategic contracts.

Headline results for the year included Revenue of $160m, EBITDA(1) $8.2m, Loss after tax of $1.7m (including $2.3m pre-tax non-cash loss on disposal of assets reported in the first half) and operating cash flow of $11.6m. Importantly, following a disappointing first half result, second half results were improved with second half EBITDA(1) of $7.0m and second half operating cash flow of $12.9m. Net debt was also a key focus in the second half reducing from $33.2m at 31 December 2015 to $25.6m at 30 June 2016. Operating cash flow and net debt reduction will continue to be a key financial focus in FY17.

Following recent investments and initiatives around organisational alignment, the 2017 financial year presents a great opportunity for Empired to leverage its strategic position in the market. We are confident that this combined with an acute focus on financial discipline will underpin value creation for our shareholders over the coming year.

***People are everything***

Empired remains at its core a services business, harnessing, engaging and optimising our human talent is critical to our success. Culture plays a key role and last year we spoke at length about our purpose and supporting values. This year we would like to outline some of the supporting initiatives undertaken throughout the year and our pursuit of embedding a high performance team culture.

To optimise the effectiveness of our workforce, align them to a common purpose and enable the delivery of a high quality consistent client experience we have developed our ‘thinking forward’ framework. The framework connects our purpose, our values and our brand promise to our clients. Effective implementation of the framework requires both Empired staff and client side training and commitment from each party. We are currently implementing the framework in New Zealand and receiving very positive feedback. The tool is designed to engage and motivate all parties to deliver outstanding outcomes together and we believe it will take our staff engagement and client experience to a whole new level.

Development of our people and long term career planning is also important to our staff engagement model. Mature, regularly assessed career planning allows Empired to improve people retention, engage and motivate its people, retain valuable knowledge and IP whilst continuing to enhance organisational capability through improved skills.

Our graduate intake saw 23 fresh university graduates join Empired NZ in a range of roles. The graduates participated in an offsite workshop at Matahika near Wellington, NZ where they were welcomed into the workforce and inducted into the start of their careers at Empired. We find over time that our graduates remain highly connected throughout their careers regardless of the direction they take. They are important to our culture ensuring we remain fresh and young at heart, they provide new perspectives and diversity to our overall workforce.

As part of continuing our integration of recent acquisitions and maturing our operating model we are in the process of implementing a new management model throughout our organisation to further support a highly connected leadership team that is acutely focused on organisational performance.

Supporting this is a range of people and client experience measures that are being enhanced to provide improved insight into these areas allowing well planned and regular action to assess and improve performance.

We are confident that many of the initiatives currently being implemented will further develop and strengthen a high performance team culture, an imperative for us to perform at our best.

***A platform for scale***

As part of the integration of recent acquisitions we have taken a step back to ensure that the model being implemented aligns to market trends, maximises our opportunity to meet customer expectations and provides opportunities to scale in a low risk controlled manner whilst optimising overhead costs.

This included improvements to our organisational structure to further align Empired's business model toward trends in the way the market is procuring services. As cloud based services continue to rapidly gain market acceptance and the critical relationships and dependencies between Infrastructure and Applications continue to strengthen, clients are shifting their buying behaviours from traditional models where they would procure Infrastructure services separately to applications, to a model that requests the provision of a business solution with an expectation that service providers will package the required infrastructure and application services into a single seamless offering.

In response to this trend, Empired has re-aligned its organisation from Infrastructure Services and Application Services to Transformation Services and Lifecycle Services. Transformation Services is focused on leveraging process, data and technology to design, build and enhance business systems and services assisting clients to maximise their digital assets and optimise their business models in the pursuit of digital transformation. Lifecycle Services is focused on managing, supporting and optimising these business systems or services on an ongoing basis following their implementation.

Another critical change has been the restructuring of our sales model from a practice aligned model to a portfolio aligned sales model. This change provides client executives the ability to sell and incorporate services from our entire portfolio of services to deliver end to end solutions for our clients. Whilst adapting to this change contributed significantly to a poor first half result we have seen the benefits of this in our second half with an increasing number of clients selecting Empired as a strategic transformation partner, engaging across a broad set of our service offerings. We are confident that this change will continue to simplify our client engagement model, enhance our ability to sell bundled services to each client, improve our market standing and increase our average deal size. All of these benefits will ultimately result in improved long term performance.

To support these changes significant enhancements have been made to our business systems and tools. Sales predictability has been improved with the introduction of new sales processes, reporting, increased sales management and progress in the consolidation of multiple sales management systems.

Investment in continuing to improve our systems is ongoing with further consolidation of duplicate systems, a new collaboration portal and business intelligence dash board all planned to be completed during FY17. All of these initiatives will improve the productivity and predictability of our organisation.

## Chairman & CEO Review (Continued)

Throughout the year we undertook two major office relocations. The first was the consolidation of four separate offices in Western Australia into a single high quality facility that incorporates our national operations centre. The facility has enhanced our profile, provides a showcase to our clients and significantly improved the interaction, culture and productivity of some 328 staff in Western Australia. The second was the relocation of our Auckland office from outside the CBD in Takapuna to high quality facilities strategically located next to Microsoft in the heart of the Auckland CBD.

All of the above initiatives are intended to ensure Empired is well placed to continue to grow and prosper in a profitable predictable manner.

***Market positioning in a digital world***

Digital transformation continues to be at the top of the agenda for today's modern enterprise as they seek to leverage new business models that will provide them with new channels to market, a better understanding of their customers buying behaviours, new opportunities to create competitive advantage, improve their ability to attract and engage staff and opportunities to deliver significant productivity improvements that didn't exist previously.

Fuelling this rapid adoption of digital business models is the continuation and acceleration of **SMAC** trends that we spoke to last year. The use of **Social** technology services and its increasing adoption in business; the prolific use of **Mobile** applications and their increased usability through high speed mobile communications and low cost, high powered portable devices; **Analytics** being driven through the explosion of data generated by organisations today and the advent of the Internet of Things (IOT); plus the increasingly rapid transition to the **Cloud**.

We have invested strategically over the past number of years to ensure Empired is well placed to capitalise on the growth opportunities these trends present. Our strategy has been clear; to develop a broad set of services aligned to these growth trends that assist our customers transform their organisations from traditional to digitally enabled business models. We are pleased to report that during FY16 this strategy clearly provided competitive advantage in the market and significantly enhanced value to our clients. We delivered multi-million dollar engagements throughout the year that included a broad set of our services integrated together to deliver seamless, highly functional cloud delivered digital solutions.

Investments in developing dedicated practices in Data Analytics and Customer Relationship Management (CRM) were highlighted last year as key growth opportunities. We are pleased to report that both experienced standout growth across the year.

The development of modern applications is another key growth market as a result of the SMAC trends and the structural shift to digitally enabled business models. Modern applications typically have a number of key facets that differ from legacy enterprise applications; they are designed to run on many different types of devices (laptop, tablet, mobile phone etc…); they are available anytime and can be used on demand; they run in multiple cloud environments allowing them to take advantage of the many features available in cloud based application platforms (Microsoft Azure is a good example); and they are often integrated into a range of social media platforms and have extensive security and identity features.

The opportunity to not only develop new applications but to transform and integrate legacy applications to this modern architecture is substantial. Empired has strong credibility and capability in providing these services to some of the world's largest organisations. We continue to invest in enhancing our services through the development of reusable software components, 'know-how' and delivery frameworks. We have recently completed the development of a suite of re-usable software components that are designed to reduce risk, reduce cost and enable the rapid deployment of mobile applications. We are confident that the investments we are making in modern applications will differentiate our service offering, enhance our value proposition and underpin our competitive advantage in this high growth market.

## Chairman & CEO Review (Continued)

Cloud continues to be a rapidly growing market opportunity and we have communicated extensively in the past about our own high availability private cloud platform 'flexScale' that provides the opportunity for clients to operate critical enterprise systems in an Empired owned and managed private cloud environment. This platform can then be integrated seamlessly into other major public cloud platforms including Microsoft Azure. Empired continues to develop and enhance this service offering and we believe that for the foreseeable future, enterprises will elect to implement technology solutions via a hybrid cloud platform.

FlexScale has also evolved to be a critical platform in the delivery of enterprise grade managed services, where Empired boasts international accreditation ISO20000 and delivers usage based end to end managed services for large government and corporate organisations.

Empired's Enterprise Content Management as a Service (ECMaaS) platform 'Cohesion' is also benefiting from the structural shift to cloud. This is yet another example of Empired's investment in software and IP that differentiates our services and provides competitive market advantage. The Cohesion service is currently targeting the New Zealand government market where we have secured a place on the New Zealand government panel contract for cloud based ECM. Early signs have been encouraging securing approximately 4,500 users with some of New Zealand government's largest departments.

We believe that the structural shifts across the information technology market place, the prolific adoption of technology and its impact on business models new and old provides a substantial market opportunity. We are confident the investments we have made position Empired to capture market share and prosper through this evolution.

***The Year Ahead***

Following a year of change and integration, we look forward to a year where Empired will focus on realising the benefits of many of these initiatives.

We enter the year under an enhanced operating model aligned to market trends, supported by improved systems and driven by a refreshed energetic and highly motivated leadership team.

Our sales model has been optimised to sell a broader set of services and will benefit from improved systems and the success that we have had during FY16 in attracting outstanding sales management and new business development talent across Australia and New Zealand.

We have continued our investments in service maturity and IP to ensure that our services are differentiated, aligned to SMAC trends and provide opportunities to build upon our contracted revenue base. Again we enter the financial year with record levels of contracted revenue.

Empired is in an enviable position in both our core markets, Australia and New Zealand, we are somewhat unique. We offer a broad set of tightly integrated services complemented by deep capability as one of the largest IT Service providers in the local region outside of our multinational competitors.

Whilst the economic and political environment is subdued and somewhat volatile we are confident that the investments we have made align Empired with growth opportunities within the ICT sector and the broader economies we operate in.

We are confident that our positioning, combined with a disciplined focus on financial performance will ensure improved financial performance in the coming year, translating into significant value creation for our shareholders.

We would sincerely like to thank our shareholders for their support during what has been a challenging year. We also extend our appreciation to our staff, clients, partners and board of directors for their ongoing loyalty and commitment to Empired as it pursues the development of a leading IT Services organisation capitalising on a unique market opportunity.

# 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 2016.

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

## Directors

| Name | Age | Experience and special responsibilities |
|---|---|---|
| Mel Ashton<br>Non-Executive Chairman | 58 | Mr Ashton is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Chartered Accountants in Australia and has over 30 years corporate experience in a wide range of industries.<br><br>Other current directorships:<br>- Gryphon Minerals Limited<br>- Venture Minerals Limited<br><br>Previous directorships (last 3 years):<br>- Renaissance Minerals Limited<br>- Resource Development Group Limited<br>- Barra Resources Limited |
| Russell Baskerville<br>Managing Director & CEO | 38 | 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.<br><br>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.<br><br>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.<br><br>Previous directorships (last 3 years):<br>- None |
| John Bardwell<br>Non-Executive Director | 56 | Mr Bardwell has had a long career in the financial services and IT sectors through a variety of senior leadership positions. Previous executive experience includes Head of IT Services at Bankwest, Managed Services Director at Unisys West and more recently as the General Manager of Delivery Services at Empired Ltd prior to his appointment to the Board as a Non-Executive Director.<br><br>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.<br><br>Previous directorships (last 3 years):<br>- None |

## Directors (continued)

| Name | Age | Experience and special responsibilities |
|---|---|---|
| Richard Bevan<br>Non-Executive Director | 50 | Mr Bevan joined the board as a Non-Executive director on 31 January 2008 with corporate and senior management experience including various directorship's and CEO/MD roles in ASX listed and private companies. Richard brings experience in the execution and integration of mergers, acquisitions and other major corporate transactions.<br><br>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.<br><br>Other current directorships:<br>- Cassini Resources Limited<br><br>Previous directorships (last 3 years):<br>- Metals of Africa Limited |
| Chris Ryan<br>Non-Executive Director | 53 | Mr Ryan joined the Board on 1 May 2015. He has had extensive executive and corporate advisory experience in Human Resources across a broad range of industries. This includes 10 years leading the Group HR function for diversified industrial business Wesfarmers, where he led the people aspects of major acquisitions and integrations, including the Coles Group transaction.<br><br>Through his advisory practice Mr Ryan advises Boards and CEOs on HR strategy, executive remuneration and executive talent management. Previously he has been an independent director of ASX listed Resource Development Group.<br><br>Mr Ryan holds a Bachelor of Business, is a graduate member of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management and a Fellow of the Australian Human Resources Institute. He holds the honorary title of Adjunct Professor with Curtin University Business School where he pursues the connection of industry with education, and is a member of the Advisory Board of the University's School of Management.<br><br>Previous directorships (last 3 years):<br>- Resource Development Group Limited |

## Company Secretary

| Name | Age | Experience and special responsibilities |
|---|---|---|
| David Hinton<br>CFO & Company Secretary | 53 | 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.<br><br>Mr Hinton holds a Bachelor of Business degree, is a Fellow of the Institute of Chartered Accountants and is a graduate of the Australian Institute of Company Directors and of the Governance Institute of Australia. |

# Directors' Report (Continued)

### Directors' Meetings

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

| Name of Director | No. of Meetings Held while a Director | No. of Meetings Attended as a Director during the year ended 30 June 2016 | No. of Audit Committee meetings Attended during the year ended 30 June 2016 |
|---|---|---|---|
| Russell Baskerville | 16 | 16 | 2 |
| Mel Ashton | 16 | 16 | 2 |
| Richard Bevan | 16 | 16 | 2 |
| John Bardwell | 16 | 16 | 2 |
| Chris Ryan | 16 | 16 | 2 |

## 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 over 900 people located throughout Australia, New Zealand, North America and Asia, 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 and “can do” attitude has enabled Empired to secure clients that range from medium size entities through to large enterprise accounts with services delivered across Australia, New Zealand, South East Asia and beyond.

The business operates as two segments:

- Australia - which includes Singapore
- New Zealand - which includes North America

***Review of financial results***

Revenue overall increased by 25% to $160m.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the financial year decreased by 31% to $7.5m principally due to the integration and contract ramp up related items that occurred in the first half of the financial year as previously outlined. The EBITDA for the second half of the financial year was $6.6m as compared to $0.8m for the first half of the year.

The loss after tax for the year was $1.7m compared to a profit after tax in the previous year of $5.3m. Included in the current year loss is a non-cash loss on disposal of assets of $2.3m ($1.6m post tax) incurred in the first half of the financial year.

# Directors' Report (Continued)

***Review of financial results (continued)***

The financial results are summarised in the following table:

| $m | 1H 16 | 2H 16 | 2016 | 2015 |
|---|---|---|---|---|
| Revenue | 78.5 | 81.4 | 160.0 | 128.3 |
| Other income | 0.1 | 0.3 | 0.4 | 1.9 |
| EBITDA [2] | 0.8 | 6.6 | 7.5 | 10.9 |
| Depreciation & amortisation | (3.2) | (3.7) | (7.0) | (3.9) |
| Loss on disposal of assets | (2.3) | - | (2.3) | - |
| EBIT [2] | (4.7) | 2.9 | (1.8) | 7.0 |
| Interest (net) | (0.7) | (1.0) | (1.6) | (1.0) |
| Net profit / (loss) before tax | (5.4) | 2.0 | (3.4) | 6.0 |
| Income tax | 1.7 | 0.0 | 1.7 | (0.7) |
| Net profit / (loss) after tax | (3.7) | 2.0 | (1.7) | 5.3 |
| EBITDA / Revenue % | 1.1% | 8.1% | 4.7% | 8.5% |
| Adjusted EBITDA [1] | 1.2 | 7.0 | 8.2 | 10.2 |
| Adjusted EBITDA / Revenue % | 1.5% | 8.6% | 5.1% | 8.0% |

[1] *EBITDA adjusted to exclude the write off of $0.7m for doubtful debtors relating to prior financial periods H1 $0.3m & H2 $0.4m.*

[2] *non-AIFRS financial information*

***(a) Operating results by Segment***

| $m | 1H 16 | 2H 16 | 2016 | 2015 |
|---|---|---|---|---|
| Revenue | | | | |
| Australia | 48.2 | 52.1 | 100.3 | 92.1 |
| New Zealand | 30.3 | 29.4 | 59.7 | 36.2 |
| Segment Revenue | 78.5 | 81.5 | 160.0 | 128.3 |
| EBITDA | | | | |
| Australia | (1.5) | 3.3 | 1.8 | 7.1 |
| New Zealand | 2.3 | 3.4 | 5.7 | 3.8 |
| Segment EBITDA | 0.8 | 6.7 | 7.5 | 10.9 |

For the financial year ended 30 June 2016 the Australian segment increased its revenue by 8% to $100m and recorded an EBITDA of $1.8m. The New Zealand segment increased revenue by 39% to $60m and reported an EBITDA of $5.7m.

# Directors' Report (Continued)

***Review of financial results (continued)***

***(b) Cash flow***

The following table summarises the cash flow for the financial year ended 30 June 2016:

| $m | 1H 16 | 2H 16 | 2016 | 2015 |
|---|---|---|---|---|
| EBITDA | 0.8 | 6.6 | 7.5 | 10.9 |
| Non cash items | 0.2 | 0.1 | 0.2 | (1.3) |
| Tax paid | (0.2) | (0.1) | (0.3) | - |
| Interest paid (net) | (0.7) | (1.0) | (1.7) | (1.0) |
| Dividends - associate | 0.2 | - | 0.2 | - |
| Changes in working capital | (1.6) | 7.3 | 5.7 | (3.5) |
| Operating cash flow | (1.3) | 12.9 | 11.6 | 5.1 |
| Purchases of P&E and intangibles | (8.6) | (6.0) | (14.6) | (11.5) |
| Acquisitions (inc deferred consideration) | (0.2) | (1.0) | (1.2) | (11.6) |
| Repayment of borrowings | (2.3) | (4.8) | (7.1) | (10.4) |
| Proceeds from borrowings | - | 4.4 | 4.4 | 18.0 |
| Options exercised | 0.2 | - | 0.2 | 13.8 |
| Equity raising costs | - | - | - | (0.6) |
| Dividends paid | - | - | - | (1.1) |
| Change in cash | (12.2) | 5.5 | (6.7) | 1.7 |

Operating cash flow for the financial year ended 30 June 2016 was $11.6m compared to $5.1m the previous financial year. During the financial year the company received a cash based land lord incentive of $3.8m which is included in operating cash flows in the first half of the year. Adjusting for this amount operating cash flow for the full year was $7.8m or 104% EBITDA to cash conversion for the year.

Change in cash for the financial year ended 30 June 2016 was $(6.7)m compared to $1.7m in the previous ficial year.

***(c) Financial position and capital structure***

During the period Empired was in discussion with its bankers in relation to new banking facilities to replace facilities expiring during the course of FY17. These discussions were underway at 30 June 2016 and were subsequently completed with firm contracts agreed on 19 August 2016. The pro forma balance sheet as at 30 June 2016 on the following page, reflects the re-classification of $6.8m borrowings from current to non-current liabilities as if the re-negotiations had occurred at 30 June 2016. Please refer to note 30 and note 18 for further details.

The consolidated entity had net debt of $25.6m at 30 June 2016 compared to $23.8m at 30 June 2015 but $7.9m lower than that recorded at 31 December 2015.

Gearing increased to 33% at 30 June 2016 compared to 31% at 30 June 2015.

During the year 4,365,285 shares were issued comprising 3,140,285 as part of the deferred payment arrangements for the acquisition of Intergen Limited completed in February 2016 and 1,225,000 shares as a result of the vesting of Performance Rights under the Empired Executive Long Term Incentive Plan.

# Directors' Report (Continued)

***Review of financial results (continued)***

***(c) Financial position and capital structure (continued)***

The balance sheet as at 30 June 2016 is summarised below:

| $m | Pro Forma June 2016 | June 2016 | Dec 2015 | June 2015 |
|---|---|---|---|---|
| Cash | 3.0 | 3.0 | 2.6 | 9.6 |
| Receivables and WIP | 32.6 | 32.6 | 32.1 | 33.9 |
| Other | 2.6 | 2.6 | 3.2 | 2.0 |
| **Current Assets** | 38.2 | 38.2 | 37.9 | 45.5 |
| Plant & Equipment | 21.1 | 21.1 | 20.3 | 16.2 |
| Intangibles and other | 58.7 | 58.7 | 56.2 | 55.5 |
| **Non Current Assets** | 79.8 | 79.8 | 76.5 | 71.7 |
| Trade and other payables | 26.1 | 26.1 | 19.2 | 24.9 |
| Borrowings* | 8.9 | 15.7 | 17.2 | 12.3 |
| Provisions and other | 6.0 | 6.0 | 4.8 | 4.7 |
| **Current Liabilities** | 41.1 | 47.8 | 41.3 | 41.9 |
| Borrowings* | 19.6 | 12.9 | 18.6 | 21.1 |
| Other | 4.8 | 4.8 | 5.2 | 1.6 |
| **Non Current Liabilities** | 24.5 | 17.7 | 23.8 | 22.6 |
| **Net Assets / Equity** | 52.4 | 52.4 | 49.4 | 52.7 |
| Net debt (Nd) | 25.6 | 25.6 | 33.2 | 23.8 |
| Gearing (Nd/(Nd+Equity) | 33% | 33% | 40% | 31% |

** includes amounts due to Vendors for acquisitions*

***(d) 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.

# Directors' Report (Continued)

## Dividends
The directors do not recommend payment of a dividend (2015: nil).

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

## Performance Rights Granted to Directors and Officers
Performance Rights were granted to Executive Officers under the Long Term Incentive Plan. Information relating to the grants is at note 16 to the financial statements.

## Shares issued as a result of the exercise of options
500,000 share options were exercised during the financial year. Refer to note 16 for details.

## Share issues during the year
4,365,285 shares were issued during the year. Refer to note 21 for details.

## Auditor
The lead auditor’s Independence Declaration for the year ended 30 June 2016 has been received and can be found on page 68 of the financial report.

## Non-Audit Services
The directors, as per the advice from the audit committee, are satisfied that non-audit services provided during the year did not compromise the external auditors' independence in accordance with the general standard of independence for auditors imposed by the Corporations Act 2001.

## 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
On 19 August 2016, the company re-negotiated its Australian banking facilities such that debt falling due by 30 June 2017 of $6.8m included in current liabilities in the balance sheet at 30 June 2016 will now fall due by March 2018 and as such would have been classified as a non-current liability at 30 June 2016 if the re-negotiations had been completed at 30 June 2016. Refer to note 18 Borrowings for further details.

# Directors' Report (Continued)

## 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 2016 ("FY16"). This Report forms part of the Directors’ Report and has been audited in accordance with section 300A of the *Corporations Act 2001* .

**Remuneration Philosophy**
The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value;
- Have a portion of certain executive’s remuneration ‘at risk’, dependent upon meeting pre-determined performance benchmarks; and
- Establish appropriate, demanding performance hurdles for variable executive remuneration.

**Linking remuneration ‘at risk’ to Company performance**
The Group recorded a net loss after tax of $1.7m for the year ended 30 June 2016 compared to a net profit after tax of $5.3m in the previous financial year. As a result, no Short Term Incentive will be paid to Executives in respect to the 2016 financial year as the key performance indicators were not achieved. Similarly, the Company announced to ASX on 14 July 2016 that 1,572,392 Performance Rights that were subject to FY16 earnings per share (EPS) performance criteria had not been achieved and therefore lapsed as a result.

**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 the 27th of November 2014 when shareholders approved an aggregated 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 2016 is detailed in the table in Section E.

# Directors' Report (Continued)

**B. Executive remuneration**

***Objective***

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- Reward executives for company, business unit and individual performances against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link rewards with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

***Structure***

In determining the level of remuneration paid to senior executives of the company, the Board took into account available benchmarks and prior performance.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
  - Short Term Incentive (STI); and
  - Long Term Incentive (LTI).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior executive by the Board. The table in Section E below details the fixed and variable components (%) of the executives of the company.

**Fixed Remuneration**

***Objective***

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

***Structure***

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the group.

The fixed remuneration component of the company executives is detailed in 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 operational targets with the remuneration received by the executives charged with meeting those targets.

***Structure***

Actual STI payments granted to the company executives depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to net profit after tax, customer service, risk management, and leadership/team contribution.

Any STI payments are subject to the approval of the Board. Payments made are delivered as a cash bonus in the following financial year.  For the 2016 financial no STI cash bonus will be paid to executives (2015: $439,872).

# Directors' Report (Continued)

**Variable Pay - Long Term Incentive (LTI)**

***Objective***

The objective of the LTI plan is to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against the relevant long term performance hurdle.

***Structure***

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

The table in Section C provides details of performance rights and options granted and the value of equity instruments granted, exercised and lapsed during the year. The performance rights were issued free of charge. 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. For further details of the terms and conditions including the service and performance criteria that must be met refer to note 16.

**Consequence of performance on shareholder wealth**

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

| Item | **2016** | **2015** | **2014** | **2013** |
|---|---|---|---|---|
| EPS (cents) | (1.47) | 4.82 | 4.33 | 2.36 |
| Dividends (cents per share) | - | - | 1.00 | 0.50 |
| Total Comprehensive Income ($000) | (1,545) | 5,233 | 3,793 | 2,137 |
| Share price ($) | 0.34 | 0.77 | 0.60 | 0.62 |

**C. Key management personnel**

(i) **Directors**

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

| | |
|---|---|
| M Ashton | Non-executive Chairman |
| R Bevan | Non-executive Director |
| J Bardwell | Non-executive Director |
| C Ryan | Non-executive Director |
| R Baskerville | Managing Director |

(ii) **Other key management personnel**

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

| | |
|---|---|
| R McCready | Chief Operating Officer |
| M Waller | Chief Financial Officer and Company Secretary to 2 May 2016 |
| D Hinton | Chief Financial Officer and Company Secretary from 2 May 2016 |

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

Information regarding key management personnel compensation for the year ended 30 June 2016 is provided in table in Section E of this remuneration report.

# Directors' Report (Continued)

(iv) **Option holdings of directors and executives**

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

| | Balance at beg of financial year | Granted as Remuneration | Options Exercised/ disposed | Net Change Other | Balance at end of financial year | Not Vested & Not Exercisable | Vested & Exercisable |
|---|---|---|---|---|---|---|---|
| **Executives** | | | | | | | |
| R. McCready | 500,000 | - | 500,000 | - | - | - | - |
| Total | 500,000 | - | 500,000 | - | - | - | - |

(v) **Shareholdings of Directors and Executives**

*Shares held in Empired Limited*

All equity transactions with directors other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

| | Balance 01-Jul-15 | Vesting of Performance Rights | On Exercise of Options | Net Change Other | Balance 30-June-16 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| R. Baskerville | 8,286,359 | 500,000 | - | (950,059) | 7,836,300 |
| M. Ashton | - | - | - | - | - |
| R. Bevan | - | - | - | - | - |
| C. Ryan | 17,000 | - | - | - | 17,000 |
| J. Bardwell | 4,099,904 | - | - | - | 4,099,904 |
| Total | 12,403,263 | 500,000 | - | (950,059) | 11,953,204 |
| **Executives** | | | | | |
| D. Hinton | 25,000 | - | - | - | 25,000 |
| M. Waller | 1,689,375 | 325,000 | - | (269,972) | 1,744,403 |
| R. McCready | 325,000 | 325,000 | 500,000 | (500,000) | 650,000 |
| Total | 2,039,375 | 650,000 | 500,000 | (769,972) | 2,419,403 |

# Directors' Report (Continued)

## D. Service Agreements

**Russell Baskerville – Managing Director**
Terms of Agreement – commenced 1 July 2005, until terminated by either party.
Salary – fixed remuneration $525,000 per annum with an STI cash bonus of 50% of base fees and LTI bonus of 50% of base fees.
Termination – three months written notice.

**Mel Ashton – Chairman**
Terms of Agreement - appointed 21 December 2005, until terminated by either party.
Fee – fixed $90,000 per annum.

**Richard Bevan – Non Executive Director**
Terms of Agreement – appointed 31 January 2008, until terminated by either party.
Fee – fixed $60,000 per annum.

**John Bardwell – Non Executive Director**
Terms of Agreement – appointed 26 September 2011, until terminated by either party.
Fee – fixed $60,000 per annum.

**Chris Ryan – Non Executive Director**
Terms of Agreement – appointed 1 May 2015, until terminated by either party.
Fee – fixed $60,000 per annum.

**David Hinton – Chief Financial Officer and Company Secretary**
Terms of Agreement – commenced 12 April 2016, until terminated by either party.
Salary – fixed remuneration $400,000 per annum with an additional STI cash bonus capped at 25% of base fees and LTI bonus capped at 25% of base fees.
Termination – three months written notice.

**Rob McCready – Chief Operating Officer**
Terms of Agreement – commenced 3 October 2011, until terminated by either party.
Salary – fixed remuneration $400,000 per annum with an STI cash bonus capped at 30% of base fees and LTI bonus capped at 25% of base fees.
Termination – one month's written notice.

## Directors' Report (Continued)

**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:

| Name of Employee | Year | Short term benefits: Salary & Fees | Short term benefits: Cash STI | Post Employment: Superannuation | Share-based payments | Total | % Performance related | % of STI achieved |
|---|---|---|---|---|---|---|---|---|
| **Non-Executive Directors** | | | | | | | | |
| M. Ashton | 2016 | 90,000 | - | - | - | 90,000 | - | - |
| | 2015 | 87,500 | - | - | - | 87,500 | - | - |
| R. Bevan | 2016 | 54,795 | - | 5,205 | - | 60,000 | - | - |
| | 2015 | 54,795 | - | 5,205 | - | 60,000 | - | - |
| C. Ryan | 2016 | 60,000 | - | - | - | 60,000 | - | - |
| | 2015 | 10,000 | - | - | - | 10,000 | - | - |
| J. Bardwell | 2016 | 54,795 | - | 5,205 | - | 60,000 | - | - |
| | 2015 | 55,662 | - | 4,338 | - | 60,000 | - | - |
| **Executive Directors** | | | | | | | | |
| R. Baskerville | 2016 | 525,000 | - | - | 260,094 | 785,094 | 33.13% | - |
| | 2015 | 450,000 | 250,000 | - | 367,875 | 1,067,875 | 57.86% | 100% |
| **Key Management** | | | | | | | | |
| D. Hinton | 2016 | 81,176 | - | 7,712 | - | 88,888 | - | - |
| | 2015 | - | - | - | - | - | - | - |
| M. Waller | 2016 | 308,083 | - | 25,000 | - | 333,083 | - | - |
| | 2015 | 316,453 | 94,936 | 30,063 | 192,375 | 633,827 | 45.33% | 100% |
| R. McCready | 2016 | 365,000 | - | 35,000 | - | 400,000 | - | - |
| | 2015 | 316,451 | 94,936 | 30,063 | 136,125 | 577,575 | 40.01% | 100% |

**F. Long Term Incentive vesting conditions**

During the financial year, 1,225,000 Performance Rights vested resulting in a corresponding number of ordinary shares being issued under the long term incentive plan of which 1,150,000 related to Performance Rights granted to KMP. The vesting conditions that were achieved that resulted in the vesting during the financial year are based upon achieving an EPS hurdle for 2014 plus a retention period to 1 July 2015 as follows:

| Grant year | Vesting Hurdle | Retention period | Number |
|---|---|---|---|
| 2013 | 2014 EPS 1.8 cents | to 1 July 2015 | 700,000 |
| 2013 | 2014 EPS 3.5 cents | to 1 July 2015 | 450,000 |

The actual EPS in 2014 was 4.3 cents.

**G. Other Information**

Options granted to the Executive Team are under the executive share option plan. All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements. Non-Executive Directors are not entitled to participate in the plan. Refer to note 16(a) for the vesting conditions. No options were granted during the financial year (2015: nil).

Performance Rights granted to the Executive Team are under the Company's Performance Rights Plan. Each performance right granted under this plan is subject to both performance criteria based on absolute EPS and a vesting period. Refer to note 16 for more detail regarding the plan.

Performance Rights granted as part of remuneration:

| 2016 | | Grant date | Grant Number | Average Value per right at grant date | Value of rights granted during the year | Total value of rights granted during year |
|---|---|---|---|---|---|---|
| **Non-Executive Directors** | M. Ashton | - | - | - | - | - |
| | R. Bevan | - | - | - | - | - |
| | C. Ryan | - | - | - | - | - |
| | J. Bardwell | - | - | - | - | - |
| **Executive Directors** | R. Baskerville | 16/11/2015 | 444,915 | $ 0.86 | 260,094 | 260,094 |
| **Key Management** | D. Hinton | - | - | - | - | - |
| | M. Waller | - | - | - | - | - |
| | R. McCready | - | - | - | - | - |

| 2015 | | Grant date | Grant Number | Average Value per option at grant date | Value of rights granted during the year | Total value of rights granted during year |
|---|---|---|---|---|---|---|
| **Non-Executive Directors** | M. Ashton | - | - | - | - | - |
| | R. Bevan | - | - | - | - | - |
| | C. Ryan | - | - | - | - | - |
| | J. Bardwell | - | - | - | - | - |
| **Executive Directors** | R. Baskerville | 25/08/2014 | 600,000 | $ 0.65 | 72,563 | 72,563 |
| | R. Baskerville | 27/11/2014 | 1,050,000 | $ 0.70 | 275,625 | 275,625 |
| **Key Management** | D. Hinton | - | - | - | - | - |
| | M. Waller | 25/08/2014 | 400,000 | $ 0.65 | 48,375 | 48,375 |
| | M. Waller | 28/01/2015 | 600,000 | $ 0.61 | 136,125 | 136,125 |
| | R. McCready | 28/01/2015 | 600,000 | $ 0.61 | 136,125 | 136,125 |

# Directors' Report (Continued)

## G. Other Information (continued)

### Directors’ and Key Management Personnel Equity Holdings

The following table sets out a summary of the interest in shares and options of the company as at the end of the financial year:

| **Director** | Ordinary Shares | Options | Performance Rights |
|---|---|---|---|
| Russell Baskerville | 7,836,300 | - | 2,294,915 |
| Mel Ashton | - | - | - |
| Richard Bevan | - | - | - |
| John Bardwell | 4,099,904 | - | - |
| Chris Ryan | 17,000 | - | - |
| **Key Management** | | | |
| David Hinton | 25,000 | - | - |
| Rob McCready | 650,000 | - | 1,125,000 |

### Employee Share Schemes

During the financial year, 494,955 ordinary shares were purchased on behalf of employees under the Exempt Employee Share Plan at a cost of $254,897. 180,857 ordinary shares were purchased on behalf of employees under the Employee Share Ownership Loan Plan at a cost of $157,148.

## H. Voting and comments made at the company’s 2015 Annual General Meeting

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

Signed in accordance with a resolution of directors.

Russell Baskerville
Managing Director
24th August 2016

# 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 ending 30 June 2016 is dated as at 30 June 2015 and was approved by the Board on 22 August 2016. The Corporate Governance Statement is available on Empired's website at www.empired.com/investor-centre/Corporate-Governance/.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

**FOR THE YEAR ENDED 30 JUNE 2016**

| | *Notes* | 2016 $ | 2015 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | 159,982,870 | 128,312,973 |
| Cost of Sales | | (108,943,410) | (84,088,897) |
| **Gross Profit** | | 51,039,460 | 44,224,076 |
| Other Income | 4 | 390,198 | 1,856,825 |
| Administration expenses | 5 | (42,218,710) | (32,651,089) |
| Marketing expenses | | (722,924) | (394,583) |
| Occupancy expenses | | (5,518,820) | (4,529,703) |
| Finance expenses | 6 | (1,660,336) | (1,141,717) |
| Loss on disposal of assets | | (2,393,742) | - |
| Other expenses | | (2,342,932) | (1,352,091) |
| **(Loss) / profit before income tax from continuing operations** | | (3,427,806) | 6,011,718 |
| Income tax benefit /(expense) | 7 | 1,703,428 | (738,204) |
| **(Loss) / profit for the year** | | **(1,724,378)** | **5,273,514** |
| **Other comprehensive income, net of income tax** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | 179,443 | (40,632) |
| **Total comprehensive (loss) / income for the period** | | **(1,544,935)** | **5,232,882** |
| **(Loss) / earnings per share (cents per share):** | | | |
| Basic (loss) / earnings per share | 8 | (1.47) | 4.82 |
| Diluted (loss) / earnings per share | 8 | (1.47) | 4.80 |

## Consolidated Statement of Financial Position

**AS AT 30 JUNE 2016**

| | *Notes* | 2016 $ | 2015 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 9 | 2,970,688 | 9,604,422 |
| Trade and other receivables | 10 | 22,212,724 | 27,042,176 |
| Work in progress | 11 | 10,399,024 | 6,841,395 |
| Other current assets | 12 | 2,614,113 | 1,982,157 |
| **Total Current Assets** | | 38,196,549 | 45,470,150 |
| | | | |
| **Non-Current Assets** | | | |
| Investments in associates | 13 | 192,085 | 337,879 |
| Plant and equipment | 14 | 21,139,187 | 16,201,940 |
| Intangible assets | 15 | 55,104,355 | 54,704,876 |
| Other receivables | 10 | 68,161 | - |
| Deferred tax asset | 7 | 3,246,657 | 487,115 |
| **Total Non-current assets** | | 79,750,445 | 71,731,810 |
| **TOTAL ASSETS** | | 117,946,994 | 117,201,960 |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 17 | 26,153,318 | 24,915,391 |
| Borrowings | 18 | 13,451,719 | 6,731,484 |
| Provisions | 19 | 6,027,245 | 4,651,804 |
| Deferred consideration | 20 | 2,200,993 | 5,560,782 |
| **Total Current Liabilities** | | 47,833,275 | 41,859,461 |
| | | | |
| **Non-current Liabilities** | | | |
| Borrowings | 18 | 6,120,877 | 15,563,645 |
| Provisions | 19 | 4,834,336 | 1,256,427 |
| Deferred tax liability | 7 | 694 | 296,505 |
| Deferred consideration | 20 | 6,753,111 | 5,510,782 |
| **Total Non-current Liabilities** | | 17,709,018 | 22,627,359 |
| **TOTAL LIABILITIES** | | 65,542,293 | 64,486,820 |
| **NET ASSETS** | | 52,404,701 | 52,715,140 |
| | | | |
| **EQUITY** | | | |
| Issued capital | 21 | 38,783,679 | 37,779,130 |
| Reserves | | 1,779,017 | 1,369,627 |
| Retained profits | | 11,842,005 | 13,566,383 |
| **TOTAL EQUITY** | | 52,404,701 | 52,715,140 |

## Consolidated Statement of Cash Flows

**FOR THE YEAR ENDED 30 JUNE 2016**

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 165,496,214 | 116,696,022 |
| Payments to suppliers and employees | | (152,262,610) | (110,621,090) |
| Other receipts | | 88,621 | - |
| Borrowing costs | | (1,660,336) | (1,141,718) |
| Income tax (paid) / received | | (336,657) | (24,399) |
| Dividends received from associate | 13 | 214,887 | - |
| Interest received | | 35,912 | 128,484 |
| **Net cash flows from operating activities** | 9 (ii) | 11,576,031 | 5,037,299 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of intangibles | | (4,162,562) | (4,402,616) |
| Purchase of plant and equipment | | (10,446,871) | (7,088,583) |
| Acquisition of subsidiary net of cash | | - | (8,849,617) |
| Deferred payment in relation to business acquisition of prior years | | (1,175,375) | (2,744,700) |
| **Net cash flows used in investing activities** | | (15,784,808) | (23,085,516) |
| | | | |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (4,144,627) | (8,824,363) |
| Payment of capital raising costs | | (11,927) | (564,506) |
| Options exercised | | 200,000 | - |
| Proceeds from issue of shares | | - | 13,815,917 |
| Dividends paid | | - | (1,099,180) |
| Repayment of finance lease liabilities | | (2,753,809) | (1,537,981) |
| Proceeds from hire purchases | | 3,243,845 | - |
| Proceeds from borrowings | | 932,055 | 17,985,817 |
| **Net cash flows (used in) / from financing activities** | | (2,534,463) | 19,775,704 |
| | | | |
| Net (decrease) / increase in cash and cash equivalents | | (6,743,240) | 1,727,487 |
| Effect of exchange rate fluctuations on cash held | | 109,506 | (185,071) |
| Cash and cash equivalents at beginning of period | | 9,604,422 | 8,062,006 |
| **Cash and cash equivalents at end of period** | 9 (i) | 2,970,688 | 9,604,422 |

## Consolidated Statement of Changes in Equity

**FOR THE YEAR ENDED 30 JUNE 2016**

| | Issued Capital $ | Retained Profits $ | Foreign Currency Translation Reserve $ | Employee Equity Benefits Reserve $ | Total Equity $ |
|---|---|---|---|---|---|
| **Balance at 30 June 2014** | 24,362,663 | 9,392,049 | - | 711,604 | 34,466,316 |
| Profit for the year | - | 5,273,514 | - | - | 5,273,514 |
| Other comprehensive income | - | - | (40,632) | - | (40,632) |
| Cost of share-based payments | - | - | - | 698,655 | 698,655 |
| 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 costs | (399,450) | - | - | - | (399,450) |
| **Balance at 30 June 2015** | 37,779,130 | 13,566,383 | (40,632) | 1,410,259 | 52,715,140 |
| Profit for the year | - | (1,724,378) | - | - | (1,724,378) |
| Other comprehensive income | - | - | 179,443 | - | 179,443 |
| Cost of share-based payments | - | - | - | 229,947 | 229,947 |
| Options exercised | 200,000 | - | - | - | 200,000 |
| Issue of shares | 816,475 | - | - | - | 816,475 |
| Capital raising costs | (11,926) | - | - | - | (11,926) |
| **Balance at 30 June 2016** | 38,783,679 | 11,842,005 | 138,811 | 1,640,206 | 52,404,701 |

## 1 CORPORATE INFORMATION

The financial report of Empired Ltd for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 22 August 2016.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) 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) Going concern

The financial report for the financial year ended 30 June 2016 has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the financial year ended 30 June 2016 the Group recorded a net loss of $1.7 million, operating cash flow of $11.6m and a deficiency of current assets to current liabilities of $9.6m.

Subsequent to year end, the company re-negotiated its Australian bank facilities such that $6.8m of bank debt included in current liabilities as at 30 June 2016 would now be classified as a non-current liability. The financial impact of the re-classification is to reduce the deficit of current assets to current liabilities by $6.8m to $2.8m.

Furthermore, the Group as at 30 June 2016 had $9m undrawn bank overdraft facilities available, $2m term loan facility undrawn and $3m in cash to fund working capital requirements.

Based upon the above, the Board has reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and the Directors consider the going concern basis of preparation to be appropriate for this financial report.

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

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

**AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle***

These amendments arise from the issuance of *Annual Improvements to IFRSs 2012-2014 Cycle* in September 2014 by the IASB.

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 AASB 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 AASB 5.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) New and revised standards that are effective for these financial statements (continued)

**AASB 2014-3** ***Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations***

The amendments to AASB 11 *Joint Arrangements* state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 *Business Combinations*, should:

- apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e., the existing interest is not re-measured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.

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

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:

- 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; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

**AASB 2014-9** ***Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements***

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

**AASB 2015-2** ***Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101***

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101'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
- 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
- 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
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) New and revised standards that are effective for these financial statements (continued)

**AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent***

AASB 2015-4 amends AASB 128 *Investments in Associates and Joint Ventures* to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 *Consolidated Financial Statements* for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

**AASB 1057 Application of Australian Accounting Standards**

In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 *Application of Australian Accounting Standards*.

AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs* removes the application paragraphs from each Australian Accounting Standard.

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

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

**AASB 9 *Financial Instruments***

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

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

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

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

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

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

The Company is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Impact of standards issued but not yet applied (continued)

**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 Company is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

**AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations***
This amendment impacts on the use of AASB 11 when acquiring an interest in a joint operation.

The effective date is for annual reporting periods beginning on or after 1 January 2016. When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

**AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of***
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 effective date is for annual reporting periods beginning on or after 1 January 2016. When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

**AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements***
The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

The effective date is for annual reporting periods beginning on or after 1 January 2016. When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

**AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an***
The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures (2011). The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

The effective date is for annual reporting periods beginning on or after 1 January 2016. When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Basis of consolidation
The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

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

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

**Business Combinations**
The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

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

### (f) Property, plant and equipment
Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a diminishing value basis, except computer software and computer laptops, which are on a straight-line basis, over the estimated useful life of the asset as follows:

Buildings & Improvements 7.5 – 20 yrs
Leasehold Improvements 5 – 20 yrs
Furniture & Fittings 3 – 20 yrs
Computer Hardware 2 – 5 yrs

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**(h) 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.

**(i) Intangible Assets**

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

Software 1 - 5 yrs
Other 3 - 6 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Intangible Assets (continued)

**Research and development costs**
Research costs are expensed as incurred.

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

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

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

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

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

### (j) 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.

### (k) Operating segments
The Group has more than one reportable operating segment identified by and used by the Chief Executive Officer (chief operating decision maker) in assessing the performance and determining the allocation of resources. The Group however has aggregated the segments in accordance with the aggregation criteria of AASB 8.

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(l) Financial instruments (continued)**
**Classification and subsequent measurement of financial assets**
For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

• loans and receivables
• financial assets at Fair Value Through Profit or Loss (‘FVTPL’)
• Held-To-Maturity (‘HTM’) investments; or
• Available-For-Sale (‘AFS’) financial assets

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

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

**(ii) Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group’s trade and most other receivables fall into this category of financial instruments.

**(iii) Held-to-maturity investments**
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group’s intention to hold these investments to maturity. They are subsequently measured at amortised cost.
Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets). If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Impairment**

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

**(m) Trade and other receivables**

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

An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Bad debts are written off when identified.

**(n) Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(o) Interest-bearing loans and borrowings**

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

**(p) Provisions**

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

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(q) 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.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(q) Employee benefits**
**(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 (2014: government bonds) 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.

**(r) 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 equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects 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.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(s) Employee share schemes**
In New Zealand, an Employee Share Ownership Plan was launched in November 2015 and had an acceptance rate of 43%. The scheme offered a 40% discount to the market price of Empired shares and provided the balance of the purchase as an interest free loan. The shares are being held in Trust for three years by which time the loan will be repaid and the shares will vest to the employees.

In Australia, the Employee Share Plan is available which involves a salary sacrifice on a monthly basis and a contribution from Empired to purchase shares in Empired up to a maximum of $1,000 per employee per annum. The $1,000 maximum is based on a tax exemption allowable under the Australian taxation legislation. Shares purchased are subject to a three year trading restriction whilst an employee of Empired.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Leases

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

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

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

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

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

### (u) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from the provision of services is recognised when the service has been provided. Stage completion or percentage completion method is used to determine earned revenue for services that have fixed revenue.

**Maintenance, hosting and support fees**

Revenue from maintenance, hosting and support is recognised and bought to account over the time it is earned. Unexpired revenue is recorded as unearned income.

**Interest received**

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

### (v) 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Foreign currency transactions (continued)

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.

### (w) Income tax

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

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (x) 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.

### (y) Investments in associates
Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries. Investments in associates are accounted for using the equity method.

Any goodwill or fair value adjustment attributable to the Group’s share in the associate is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates is increased or decreased to recognise the Group’s share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(z) 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 assets that have been abandoned or sold will be written off or written down.

## 3 SEGMENT REPORTING

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

- Australia
- New Zealand

During the year the company changed its assessment of operating segments in line with how the chief operating decision makers evaluate the performance of the Group. During the current year the Group aggregated the previously disclosed Singapore segment into Australia and the North American segment into New Zealand. The performance of these segments were aggregated as they have similar characteristics. The prior year comparatives have been updated on this basis.

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

| | Australia | New Zealand | Total |
|---|---|---|---|
| | $ | $ | $ |
| ***2016*** | | | |
| **Revenue** | | | |
| From external customers | 100,319,331 | 59,663,539 | 159,982,870 |
| **Segment revenues** | **100,319,331** | **59,663,539** | **159,982,870** |
| Segment operating EBITDA | 1,753,986 | 5,715,340 | 7,469,326 |
| Segment assets | 81,154,966 | 36,792,028 | 117,946,994 |
| ***2015*** | | | |
| **Revenue** | | | |
| From external customers | 92,068,072 | 36,244,901 | 128,312,973 |
| **Segment revenues** | **92,068,072** | **36,244,901** | **128,312,973** |
| Segment operating EBITDA | 5,348,317 | 3,803,788 | 9,152,105 |
| Segment assets | 82,527,285 | 34,674,675 | 117,201,960 |

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

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Total reporting segment operating EBITDA | 7,469,326 | 9,152,105 |
| Other income not allocated | - | 1,724,070 |
| **Group EBITDA** | 7,469,326 | 10,876,175 |
| Finance costs (net) | (1,624,425) | (1,011,584) |
| Depreciation and amortisation expenses | (6,878,965) | (3,852,873) |
| Loss on disposal of assets | (2,393,742) | - |
| **Group profit before tax** | (3,427,806) | 6,011,718 |

## 4 REVENUES

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| **Sales Revenue** | | |
| Services revenue | 141,791,257 | 111,658,780 |
| Product and license revenue | 18,191,613 | 16,654,193 |
| **Total Sales Revenue** | 159,982,870 | 128,312,973 |
| | | |
| **Other Revenue** | | |
| Gain from derecognition of consideration payable *(a)* | 125,611 | 1,724,070 |
| Payroll tax rebate | 136,000 | - |
| Share of associate profit (*see note 13*) | 66,304 | - |
| Interest | 35,912 | 130,133 |
| Other | 26,371 | 2,622 |
| | 390,198 | 1,856,825 |
| **Total Revenue** | 160,373,068 | 130,169,798 |

(a) In the prior year, a discounted amount payable in FY15 to the vendors of Intergen Limited under the share purchase agreement was $1,724,070. The fair value of the contingent consideration was valued at the time of acquisition based on a full year FY15 EBITDA performance target that was subsequently not achieved. As at 30 June 2015, the contingent consideration was derecognised and a gain of $1,724,070 was included in other revenue.

During the current year, Empired entered into an agreement with a group of the previous owners of Intergen Limited to adjust the deferred vendor payment arrangement. As part of the arrangement 3,140,285 shares with a value of $0.30 per share were issued to reduce the amount due to the vendors by $942,086. The fair value of the instrument on issue date was $0.26 per share. A gain of $125,611 was recognised in line with provisions of AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments.*

## 5 ADMINISTRATION EXPENSES

| | 2016 | 2015 |
|---|---|---|
| Loss before income tax includes the following specific expenses: | $ | $ |
| | | |
| Employee benefits not included in cost of sales | 26,847,135 | 21,292,707 |
| Depreciation expenses | 3,692,359 | 2,264,316 |
| Amortisation expenses | 3,186,607 | 1,588,557 |
| Other administration expenses | 8,492,609 | 7,505,509 |
| | 42,218,710 | 32,651,089 |

## 6 FINANCE EXPENSES

Finance expenses for the year consist of the following:

| | | |
|---|---|---|
| Interest expenses - bank borrowings | 1,192,291 | 1,027,963 |
| Interest expenses - finance leases | 239,201 | 113,754 |
| Interest expenses - other | 228,844 | - |
| | 1,660,336 | 1,141,717 |

## 7 INCOME TAX

### (a) Income tax expense

| The major components of income tax expense are: | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Current income tax payable | 1,385,997 | - |
| Current income tax payable - prior year adjustment | (50,352) | 128,536 |
| Deferred income tax relating to origination and reversal of temporary differences | (2,893,274) | 679,801 |
| Under provision in respect of prior years | (145,799) | (70,133) |
| **Income tax expense reported in statement of comprehensive income** | (1,703,428) | 738,204 |

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

| | | |
|---|---|---|
| Capital raising costs | - | 165,057 |
| Deferred tax assets recognised on acquisition | - | 1,275,833 |
| Deferred tax liabilities recognised on acquisition | - | (91,577) |
| | - | 1,349,313 |

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

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Prima facie tax on operating (loss) / profit calculated at 30% (2015: 30%) | (1,021,205) | 1,803,515 |
| | (1,021,205) | 1,803,515 |
| **Adjust for tax effect of:** | | |
| Tax rate differential | (230,853) | (26,290) |
| Non-deductible expenses | 248,595 | 322,402 |
| Other non-deductible expenses | 53,444 | 110,850 |
| Change in Fair Value Consideration | (37,683) | (517,221) |
| Foreign exchange differences | (28,026) | 69,855 |
| R&D offset income tax variance | (522,222) | (314,719) |
| Under provision in respect of prior years | (196,151) | (5,514) |
| Other income for income tax purposes | 30,673 | - |
| Recoupment of prior year tax losses not previously brought to account | - | (704,809) |
| Deferred tax asset not previously brought to account | - | 135 |
| **Income tax (benefit) / expense reported in statement of comprehensive income** | (1,703,428) | 738,204 |

# Notes to the Financial Statements (Continued)

**FOR THE YEAR ENDED 30 JUNE 2016**

## 7 INCOME TAX (continued)

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

Deferred income tax balances relate to the following:

| | Opening Balance | Recognised in Profit and Loss | Recognised in Other Comprehensive Income | Recognised in Business Combination | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|---|
| **30 June 2016** | **$** | **$** | **$** | **$** | **$** | **$** |
| ***Deferred tax liabilities*** | | | | | | |
| Work in Progress | 1,871,734 | 901,382 | - | - | (1,215) | 2,771,901 |
| Fixed Assets | 2,617,463 | 739,668 | - | - | (6,951) | 3,350,180 |
| Other | - | 17,477 | - | - | - | 17,477 |
| **Gross deferred tax liabilities** | 4,489,197 | 1,658,527 | - | - | (8,166) | 6,139,558 |
| ***Deferred tax assets*** | | | | | | |
| Provisions | 117,001 | 1,460,175 | - | - | 942 | 1,578,118 |
| Equity raising costs | 301,182 | (99,265) | - | - | - | 201,917 |
| Borrowing costs | 13,196 | (4,730) | - | - | - | 8,466 |
| R&D Tax Offsets carried forward | 1,860,346 | 2,088,887 | - | - | - | 3,949,233 |
| Trade and other receivables | 55,651 | (15,752) | - | - | 1,697 | 41,596 |
| Pension & other employee obligations | 1,911,103 | 29,075 | - | - | 8,844 | 1,949,022 |
| Other | - | 16,615 | - | - | - | 16,615 |
| Tax losses | 421,328 | 1,222,595 | - | - | (3,369) | 1,640,554 |
| **Gross deferred tax assets** | 4,679,807 | 4,697,600 | - | - | 8,114 | 9,385,521 |
| | 190,610 | 3,039,073 | - | - | 16,280 | 3,245,963 |
| ***Recognised in statement of financial position as:*** | | | | | | |
| Deferred tax assets (net) | 487,115 | | | | | 3,246,657 |
| Deferred tax liabilities (net) | (296,505) | | | | | (694) |
| | 190,610 | | | | | 3,245,963 |
| **30 June 2015** | | | | | | |
| ***Deferred tax liabilities*** | | | | | | |
| Work in Progress | 976,391 | 895,343 | - | - | - | 1,871,734 |
| Fixed Assets | 1,814,605 | 711,281 | - | 91,577 | - | 2,617,463 |
| Other | - | - | - | - | - | - |
| **Gross deferred tax liabilities** | 2,790,996 | 1,606,624 | - | 91,577 | - | 4,489,197 |
| ***Deferred tax assets*** | | | | | | |
| Provisions | 12,000 | 40,626 | - | 73,596 | (9,221) | 117,001 |
| Equity raising costs | 229,390 | (93,358) | 165,057 | 93 | - | 301,182 |
| Borrowing costs | 24,285 | (11,089) | - | - | - | 13,196 |
| R&D Tax Offsets carried forward | 924,684 | 935,662 | - | - | - | 1,860,346 |
| Trade and other receivables | 34,597 | (110,519) | - | 128,786 | 2,787 | 55,651 |
| Pension & other employee obligations | 1,001,749 | 330,670 | - | 553,629 | 25,055 | 1,911,103 |
| Other | - | (7,167) | - | 7,167 | - | - |
| Tax losses | - | (87,869) | - | 512,564 | (3,367) | 421,328 |
| **Gross deferred tax assets** | 2,226,705 | 996,956 | 165,057 | 1,275,835 | 15,254 | 4,679,807 |

## 7 INCOME TAX (continued)

### (e) Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, Empired Limited and its 100% Australian owned subsidiaries formed a tax consolidated group. The head entity of the consolidated group is Empired Limited.

The head entity is responsible for tax liabilities of the group. Intra group transactions are ignored for tax purposes and there is a single return lodged on behalf of the group.

Empired Limited formally notified the Australian Taxation Office of its adoption of the tax consolidation regime upon lodgement of its 30 June 2003 consolidated tax return.

## 8 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

| | **2016** | **2015** |
|---|---|---|
| | **$** | **$** |
| Net (loss) / profit attributable to ordinary equity holders of the parent | (1,724,378) | 5,273,514 |

| | **2016** | **2015** |
|---|---|---|
| | *Thousands* | *Thousands* |
| Weighted average number of ordinary shares for basic earnings per share | 117,655 | 109,414 |
| *Effect of Dilution:* | | |
| Share options | 114 | 534 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 117,769 | 109,948 |

### 9 CASH AND CASH EQUIVALENTS

#### (i) Reconciliation of Cash

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

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Cash at bank and in hand | 2,970,688 | 9,604,422 |
| | 2,970,688 | 9,604,422 |

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

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Operating (loss) / profit after income tax | (1,724,378) | 5,273,514 |
| Gain from derecognition of contingent consideration payable | (125,611) | (1,724,070) |
| Depreciation and amortisation | 6,878,965 | 3,844,590 |
| Loss on disposal of assets | 2,393,742 | 168 |
| Share Payment Expense | 229,947 | 356,654 |
| Foreign currency unrealised gain/loss | 67,152 | 150,668 |
| Equity accounted earnings from associate | (66,304) | (113,656) |
| Dividend received from associate | 214,887 | - |
| *Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:* | | |
| Decrease / (increase) in receivables | 4,723,413 | (10,433,472) |
| Increase in other assets | (3,637,860) | (1,262,191) |
| Increase in prepayments | (671,004) | (665,991) |
| Increase in creditors | 884,718 | 1,205,332 |
| (Decrease) / increase in other creditors | (1,331,358) | 5,565,481 |
| Increase in lease incentives | 4,043,362 | - |
| (Decrease) / increase in accrued liabilities | (244,572) | 1,684,483 |
| Increase in unearned income | 1,247,963 | 8,541 |
| (Decrease) / increase in income tax payable | (2,040,083) | 708,083 |
| Increase in provision for employee entitlements | 733,052 | 439,165 |
| **Net cash from operating activities** | 11,576,031 | 5,037,299 |

## 10 TRADE AND OTHER RECEIVABLES

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current** | | |
| Gross trade receivables | 22,238,728 | 26,965,409 |
| Provision for doubtful debts | (187,947) | (191,215) |
| Other receivables | 161,943 | 267,982 |
| | 22,212,724 | 27,042,176 |
| **Non-current** | | |
| Other receivables | 68,161 | - |

Trade receivables are non-interest bearing and are generally on 30-day terms. (For further details on credit risk, refer to note 23). A provision for impairment is recognised when there is objective evidence that an amount is considered not collectible.

## 11 WORK IN PROGRESS

| | 2016 $ | 2015 $ |
|---|---|---|
| Work in progress | 10,399,024 | 6,841,395 |

## 12 OTHER CURRENT ASSETS

| | 2016 $ | 2015 $ |
|---|---|---|
| Prepayments | 2,614,113 | 1,982,157 |

## 13 INVESTMENT IN ASSOCIATE

The Group holds 50% of the ordinary shares and voting rights in X4 Consulting Limited ("X4"). The executive management of X4 hold the other 50%. The Group has appointed one (1) of X4's Board of Directors out of a total of four (4). Management has reassessed its involvement in X4 in accordance with AASB 10's revised control definition and guidance. It has concluded that it has significant influence but not outright control. In making its judgement, management considered the Group's voting rights, the relative size and dispersion of the voting rights held by other shareholders and the extent of recent participation by those shareholders in general meetings. Recent experience demonstrates that the Group is sufficiently prevented from having the practical ability to direct the relevant activities of X4 unilaterallv.

X4 Consulting Limited is not individually material to the Group. Summarised financial information of the Group's share in X4 Consulting Limited is as follows:

| | 2016 $ | 2015 $ |
|---|---|---|
| Profit from continuing operations | 66,304 | 99,823 |
| Other comprehensive income | - | - |
| **Total comprehensive income** | 66,304 | 99,823 |
| Dividend received | (214,887) | - |
| Exchange differences | 2,789 | - |
| **Carrying amount of the Group's interests in associates** | 192,085 | 337,879 |

### 14 PROPERTY, PLANT AND EQUIPMENT

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| **Leasehold improvements** | | |
| At cost | 6,350,867 | 3,711,524 |
| Accumulated depreciation | (1,565,323) | (1,392,556) |
| Total lease improvements | 4,785,544 | 2,318,968 |
| **Computer hardware** | | |
| At cost | 17,315,644 | 17,013,890 |
| Accumulated depreciation | (3,795,739) | (5,064,252) |
| Total computer hardware | 13,519,905 | 11,949,638 |
| **Furniture, Equipment & Fittings** | | |
| At cost | 1,926,526 | 1,947,783 |
| Accumulated depreciation | (898,363) | (995,994) |
| Total Equipment & Fittings | 1,028,163 | 951,789 |
| **Leased equipment** | | |
| At cost | 3,022,624 | 1,940,450 |
| Accumulated depreciation | (1,217,049) | (958,905) |
| Total leased equipment | 1,805,575 | 981,545 |
| **Total Property, Plant and Equipment** | **21,139,187** | **16,201,940** |

## 14 PROPERTY, PLANT AND EQUIPMENT (continued)

| ***2016*** | **Leased equipment $** | **Leasehold improvements $** | **Computer hardware $** | **Furniture, Equipment & Fittings $** | **Total $** |
|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | |
| Balance 1 July 2015 | 1,940,450 | 3,711,524 | 17,013,890 | 1,947,783 | 24,613,647 |
| Additions | 1,495,587 | 3,593,547 | 4,951,306 | 423,289 | 10,463,729 |
| Disposals | (438,746) | (967,935) | (4,657,904) | (463,076) | (6,527,661) |
| Exchange differences | 25,333 | 13,731 | 8,351 | 18,529 | 65,944 |
| Balance 30 June 2016 | 3,022,624 | 6,350,867 | 17,315,643 | 1,926,525 | 28,615,659 |
| **Depreciation and impairment** | | | | | |
| Balance 1 July 2015 | (958,905) | (1,392,556) | (5,064,252) | (995,994) | (8,411,707) |
| Disposals | 437,800 | 571,855 | 3,417,930 | 279,205 | 4,706,790 |
| Depreciation | (683,745) | (737,340) | (2,098,590) | (172,684) | (3,692,359) |
| Exchange differences | (12,199) | (7,282) | (50,826) | (8,889) | (79,196) |
| Balance 30 June 2016 | (1,217,049) | (1,565,323) | (3,795,738) | (898,362) | (7,476,472) |
| **Carrying amount 30 June 2016** | 1,805,575 | 4,785,544 | 13,519,905 | 1,028,163 | 21,139,187 |

| ***2015*** | **Leased equipment $** | **Leasehold improvements $** | **Computer hardware $** | **Furniture, Equipment & Fittings $** | **Total $** |
|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | |
| Balance 1 July 2014 | - | 1,406,521 | 11,010,720 | 556,778 | 12,974,019 |
| Additions | 397,831 | 1,133,517 | 5,683,208 | 147,094 | 7,361,650 |
| Acquisition through business combination | 1,806,922 | 1,171,486 | 319,962 | 1,243,911 | 4,542,281 |
| Disposals | (264,303) | - | - | - | (264,303) |
| Balance 30 June 2015 | 1,940,450 | 3,711,524 | 17,013,890 | 1,947,783 | 24,613,647 |
| **Depreciation and impairment** | | | | | |
| Balance 1 July 2014 | - | (557,436) | (3,286,027) | (242,018) | (4,085,481) |
| Disposals | 264,303 | - | - | - | 264,303 |
| Acquisition through business combination | (766,663) | (512,500) | (174,778) | (572,462) | (2,026,403) |
| Depreciation | (456,545) | (322,620) | (1,603,447) | (181,514) | (2,564,126) |
| Balance 30 June 2015 | (958,905) | (1,392,556) | (5,064,252) | (995,994) | (8,411,707) |
| **Carrying amount 30 June 2015** | 981,545 | 2,318,968 | 11,949,638 | 951,789 | 16,201,940 |

## 15 INTANGIBLE ASSETS

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| **Goodwill** | | |
| Cost | 46,446,049 | 46,446,049 |
| Net carrying value | 46,446,049 | 46,446,049 |
| | | |
| **Software** | | |
| Cost | 14,249,913 | 11,497,945 |
| Amortisation | (5,830,065) | (3,562,710) |
| Net carrying value | 8,419,848 | 7,935,235 |
| | | |
| **Other** | | |
| Cost | 491,493 | 489,296 |
| Amortisation | (253,035) | (165,704) |
| Net carrying value | 238,458 | 323,592 |
| | | |
| **Total intangibles** | **55,104,355** | **54,704,876** |

| | *Goodwill* | *Software* | *Other* | *Total* |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Year end 30 June 2016** | | | | |
| Balance at the beginning of the year | 46,446,049 | 7,935,235 | 323,592 | 54,704,876 |
| Additions | - | 4,162,562 | - | 4,162,562 |
| Disposals | - | (574,199) | - | (574,199) |
| Amortisation charge | - | (3,102,309) | (84,298) | (3,186,607) |
| Exchange differences | - | (1,441) | (836) | (2,277) |
| **Closing value at 30 June 2016** | 46,446,049 | 8,419,848 | 238,458 | 55,104,355 |
| | | | | |
| **Year end 30 June 2015** | | | | |
| Balance at the beginning of the year | 27,105,898 | 4,342,410 | 250,020 | 31,698,328 |
| Additions from business combinations | 19,340,151 | 691,328 | 151,656 | 20,183,135 |
| Additions | - | 4,402,616 | 9,354 | 4,411,970 |
| Amortisation charge | - | (1,501,119) | (87,438) | (1,588,557) |
| **Closing value at 30 June 2015** | 46,446,049 | 7,935,235 | 323,592 | 54,704,876 |

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.

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

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| 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 |

## 15 INTANGIBLE ASSETS (continued)

**Goodwill (continued)**

The Group performed the annual impairment test as at balance sheet date. 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. As at 30 June 2016, the equity market capitalisation was below the net assets, potentially indicating a possible impairment to the carrying value of goodwill and net assets. The Directors consider that this shortfall is of a temporary nature. 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. The present value of the expected cash flows and a terminal value for each segment is determined by applying a suitable discount rate:

| | Discount rates | |
|---|---|---|
| | 2016 | 2015 |
| Australia | 10.85% | 11% |
| New Zealand | 10.85% | 11% |

| | Growth rates (years 2 - 5) | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | Cost of service | | Operating cost | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Australia | 4% | 3% | 2% | 10.85% | 2% | 2% |
| New Zealand | 4% | 3% | 2% | 10.85% | 2% | 2% |

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

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

Gross profit margins - are based upon margins achieved in the current year. Gross profit margins are the most sensitive variable to the value in use calculation. A material reduction in gross profit margins, in the absence of any other change would give rise to an impairment charge.

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

Growth rate estimates – consistent with published industry research have been adopted. It is acknowledged that technological change, macro-economic factors and action of competitors can have an impact on growth rate assumptions. Growth rates for revenue, cost of sales and operating costs have been held consistent post year 5 at 4%.

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 10.85% which is applied to the pre-tax cash flows after replacement capital expenditure. Management have considered the appropriateness of using the same discount rate for both CGUs noting that it would not materially impact the results.

## 16 EMPLOYEE BENEFITS

The total expense relating to equity-settled share-based payment transactions in 2016 was $229,947 (2015: $356,655).

### (a) Empired executive share option plan

The Group had an executive share option plan for the granting of options to certain directors and senior executives to assist in motivating and retaining executives.

The following table illustrates the number (No.) and exercise prices (EP) of share options issued.

| | 2016 No. | 2016 EP | 2015 No. | 2015 EP |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 500,000 | | 900,000 | |
| Exercised during the year | (500,000) | $0.40 | (400,000) | $0.40 |
| Outstanding at the end of the year | - | | 500,000 | |

### (b) Empired performance rights plan

During 2016 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 perfomace 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 illustrates the number and movement in performance rights for the reporting periods:

| | 2016 No. | 2015 No. |
|---|---|---|
| Outstanding at the beginning of the year | 6,770,000 | 3,770,000 |
| Granted during the year | 444,915 | 4,450,000 |
| Forfeited during the year | (405,839) | - |
| Vested during the year | (1,225,000) | (1,450,000) |
| Outstanding at the end of the year | 5,584,076 | 6,770,000 |

## 16 EMPLOYEE BENEFITS (continued)

### (b) Empired Performance Rights Plan (continued)

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

| | Issue 1 | Issue 2 | Issue 3 | Issue 4 | Issue 5 |
|---|---|---|---|---|---|
| Grant date | 29/11/2012 | 10/04/2013 | 1/10/2013 | 31/10/2013 | 24/03/2014 |
| Vesting period ends | 1/07/2016 | 1/07/2016 | 30/09/2017 | 1/07/2017 | 1/07/2017 |
| Share price at date of grant | $0.40 | $0.50 | $0.69 | $0.78 | $0.53 |
| Volatility | 40% | 40% | 40% | 40% | 40% |
| Term | 2-4 yrs | 2-4 yrs | 2-4 yrs | 2-4 yrs | 2-4 yrs |
| Dividend yield | - | - | - | - | - |
| Risk free investment rate | 3.15% | 3.28% | 3.85% | 3.94% | 4.17% |
| Fair value at grant date | $36,000 | $56,813 | $145,230 | $106,650 | $97,200 |
| Performance rights granted under issue | 600,000 | 750,000 | 604,000 | 900,000 | 600,000 |

| | Issue 6 | Issue 7 | Issue 8 | Issue 9 | Issue 10 |
|---|---|---|---|---|---|
| Grant date | 25/08/2014 | 31/10/2014 | 27/11/2014 | 28/01/2015 | 2/03/2015 |
| Vesting period ends | 30/04/2015 | 31/07/2017 | 1/07/2018 | 1/07/2018 | 1/07/2018 |
| Share price at date of grant | $0.65 | $0.75 | $0.70 | $0.61 | $0.70 |
| Volatility | 40% | 40% | 40% | 40% | 40% |
| Term | 0-1 yrs | 2-4 yrs | 2-4 yrs | 2-4 yrs | 2-4 yrs |
| Dividend yield | - | - | - | - | - |
| Risk free investment rate | 3.44% | 3.29% | 3.11% | 2.61% | 2.50% |
| Fair value at grant date | $120,938 | $342,000 | $275,625 | $272,250 | $157,500 |
| Performance rights granted under issue | 1,000,000 | 600,000 | 1,050,000 | 1,200,000 | 600,000 |

| | Issue 11 |
|---|---|
| Grant date | 16/11/2015 |
| Vesting period ends | 1/07/2018 |
| Share price at date of grant | $0.86 |
| Volatility | 40% |
| Term | 2-4 yrs |
| Dividend yield | - |
| Risk free investment rate | 2.90% |
| Fair value at grant date | $260,094 |
| Performance rights granted under issue | 444,915 |

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

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Trade payables | 9,728,185 | 8,843,468 |
| Other payables | 12,271,727 | 13,166,478 |
| Unearned revenue | 4,153,406 | 2,905,445 |
| | 26,153,318 | 24,915,391 |

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

| | | |
|---|---|---|
| Owing to directors and director related entities | 56,375 | 55,000 |

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

## 18 BORROWINGS

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| ***Designated at amortised cost:*** | | |
| Obligations under NZ-Dollar bank loan | 1,593,184 | 1,577,402 |
| Obligations under finance leases and hire purchase contracts | 2,949,293 | 2,159,774 |
| Obligations under premium funding contracts | 145,604 | 125,181 |
| Obligations under bank loan | 8,763,638 | 2,869,127 |
| | 13,451,719 | 6,731,484 |
| **Non-current** | | |
| ***Designated at amortised cost:*** | | |
| Obligations under NZ-Dollar bank loan | 2,549,092 | 3,143,465 |
| Obligations under finance leases and hire purchase contracts | 3,170,783 | 3,470,264 |
| Obligations under bank loan | 401,002 | 8,949,916 |
| | 6,120,877 | 15,563,645 |

**Security arrangements**

All Australian entities have provided a General Security Interest as security for bank borrowings in Australia. Additionally, each Australian entity has provided a guarantee and indemnity to the lender.

A controlled entity has provided a General Security Interest as security for bank borrowings in New Zealand.

Lease and hire purchase liabilities are secured over particular assets.

## 18 BORROWINGS (Continued)

**Summary of facilities**

| At reporting date, the following financing facilities were available: | 2016 $ | 2015 $ |
|---|---|---|
| Bank overdraft | 8,911,814 | 6,780,000 |
| Facility used at reporting date | - | - |
| Facility unused at reporting date | 8,911,814 | 6,780,000 |
| | | |
| Term loans | 15,351,384 | 16,393,011 |
| Facility used at reporting date | (13,306,805) | (16,269,043) |
| Facility unused at reporting date | 2,044,579 | 123,968 |
| | | |
| Bank guarantees | 4,073,122 | 2,983,879 |
| Facility used at reporting date | (3,512,002) | (1,423,345) |
| Facility unused at reporting date | 561,120 | 1,560,534 |
| | | |
| Finance leases | 5,411,814 | 3,500,000 |
| Facility used at reporting date | (4,956,172) | (2,994,333) |
| Facility unused at reporting date | 455,642 | 505,667 |
| | | |
| Other | 1,184,528 | 1,184,528 |
| Facility used at reporting date | (29,486) | (18,943) |
| Facility unused at reporting date | 1,155,042 | 1,165,585 |
| | | |
| Total bank facilities | 34,932,662 | 30,841,418 |
| Facilities used at reporting date | (21,804,465) | (20,705,664) |
| Facilities unused at reporting date | 13,128,197 | 10,135,754 |

**Summary of covenants**

***Australian bank borrowings***

Subsequent to year end, on 19 August 2016 the company re-negotiated its Australian bank facilities. Such that Term loans of $9,164,640 have been combined and now have a maturity date of 31 March 2018 with scheduled interest payments and principle repayments to maturity.  As at 30 June 2016 $8,763,638 of the Term loans were repayable within 12 months.  The impact on maturity of the re-negotiated terms is to reduce term loans payable (as shown above) within 12 months by $6,763,638 and increase non-current term loans by a corresponding amount.

The working capital and bank guarantee facilities are subject to annual review. The bank covenants applying to these bank facilities include a minimum EBITDA, a debt servicing ratio and a limit on the drawn amount of the working capital facility based upon debtors and work in progress.

***New Zealand bank borrowings***

The working capital and bank guarantee facilities are subject to annual review with the term loans maturing in June 2018. The bank covenants applying to these bank facilities include ratios for liquidity, interest cover and leverage.

### 19 PROVISIONS

| | Lease Incentives | Annual Leave | Long Service Leave | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Year end 30 June 2016** | | | | |
| Balance at the beginning of the year | 937,455 | 4,057,170 | 913,606 | 5,908,231 |
| Decrease in discounting | - | (12,648) | - | (12,648) |
| Additional provisions | 4,867,439 | 5,737,220 | 358,606 | 10,963,265 |
| Amounts used | (661,221) | (5,261,703) | (74,343) | (5,997,267) |
| **Closing value at 30 June 2016** | 5,143,673 | 4,520,039 | 1,197,869 | 10,861,581 |

| | 2016 | 2015 |
|---|---|---|
| ***Analysis of total provisions:*** | $ | $ |
| **Current** | | |
| Provision for Annual Leave | 4,520,039 | 4,057,170 |
| Provision for Long Service Leave | 561,997 | 393,751 |
| Provision for Lease Incentives | 945,209 | 200,883 |
| | 6,027,245 | 4,651,804 |
| **Non-current** | | |
| Provision for Long Service Leave | 635,872 | 519,855 |
| Provision for Lease Incentives | 4,198,464 | 736,572 |
| | 4,834,336 | 1,256,427 |

### 20 DEFERRED CONSIDERATION

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Amounts due to vendors for prior year acquisitions of controlled entities: | | |
| Current | 2,200,993 | 5,560,782 |
| Non-current | 6,753,111 | 5,510,782 |
| Total | 8,954,104 | 11,071,564 |

Amounts above comprise consideration payable to the vendors of controlled entities acquired in prior financial years. Of the amounts due, $3,393,322 bears interest of 15% per annum and $4,585,407 bears interest of 5% per annum from February 2016 to June 2017.

### 21 ISSUED CAPITAL

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Ordinary Shares fully paid | 38,783,679 | 37,779,130 |
| **Movement in ordinary shares on issue** | **No.** | **Value ($)** |
| At 1 July 2014 | 95,068,049 | 24,362,663 |
| Issue of shares | 19,265,204 | 13,296,467 |
| Conversion of options | 850,000 | 120,000 |
| At 30 June 2015 | 115,183,253 | 37,779,130 |
| Issue of ordinary shares (net of issue costs) | 4,365,285 | 804,549 |
| Conversion of options | 500,000 | 200,000 |
| **At 30 June 2016** | 120,048,538 | 38,783,679 |

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

## 21 ISSUED CAPITAL (continued)

On 22 September 2015, the company issued 500,000 ordinary shares on the exercise of options at $0.40 per share.

On 9 October 2015, the company issued 1,225,000 ordinary shares for the vesting of Performance Rights.

As part of the acquisition of 100% of the shares in Intergen Limited on 31 October 2014, the Company had an obligation to pay the vendors of Intergen Limited deferred payments of $5,203,631 in May 2016 and $5,203,631 in May 2017, on the basis certain performance criteria are met. The Company has entered into an agreement with a group of the Intergen vendors representing 88% of the deferred consideration entitlements to adjust the deferred payment arrangements. On 12 February 2016, the company issued 3,140,285 ordinary shares as part of the agreement.

### 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, convertible performance rights and employee options, 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 2016 and 30 June 2015 are as follows:

| | Note | Consolidated Group 2016 $ | Consolidated Group 2015 $ |
|---|---|---|---|
| Total Borrowings | 18 | 19,572,596 | 22,295,129 |
| Deferred consideration | 20 | 8,954,104 | 11,071,564 |
| Less cash and cash equivalents | 9(i) | (2,970,688) | (9,604,422) |
| Net Debt | | 25,556,012 | 23,762,271 |
| Issued Capital | | 38,783,679 | 37,779,130 |
| Total Capital | | 64,339,691 | 61,541,401 |
| Gearing ratio | | 39.72% | 38.61% |

## 22 DIVIDENDS

| | 2016 $ | 2015 $ |
|---|---|---|
| **(a) Distributions Paid** | | |
| Final franked dividend of nil cents (2015: 0 cents) | - | - |
| Interim franked dividend of nil cents (2015: 0 cents) | - | - |
| | - | - |
| **(b) Franking Credit Balance** | | |
| Balance of franking account at year end at 30% available to the shareholders of Empired Limited for subsequent financial years | 24,841 | 152,580 |

Franked dividends paid were franked at the tax rate of 30%.

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main purpose of the financial liabilities is to raise finance for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

**Market risk**

***Interest rate risk***

Exposure to market interest rates is limited to the Group's cash balances and bank borrowings at variable interest rates. Finance leases and hire purchase agreements entered into are purchased at fixed interest rates. Cash balances are disclosed at note 9. Refer to note 25 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% (2015: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

| | **Profit for the year** | | **Equity** | |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| | **+1%** | **-1%** | **+1%** | **-1%** |
| 30 June 2016 | (116,213) | 116,213 | - | - |
| 30 June 2015 | (88,805) | 88,805 | - | - |

***Foreign currency risk***

The Group has exposure to foreign currency risk as a result of its New Zealand, USA and Singapore based subsidiaries having the majority of trade debtors and trade creditors denominated in a currency other than the respective functional currencies. 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** | |
|---|---|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Financial Assets | 12,594,975 | 9,637,480 | 2,429,418 | 1,099,363 | 694,001 | 634,251 |
| Financial Liabilities | (8,993,181) | (8,777,953) | (97,609) | (136,676) | (22,190) | - |
| Total Exposure | 3,601,794 | 859,527 | 2,331,809 | 962,687 | 671,811 | 634,251 |

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

***Foreign currency risk (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 (2015: 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% (2015: 10%) then this would have had the following impact:

| | **NZD** | **USD** | **SGD** |
|---|---|---|---|
| | **$** | **$** | **$** |
| 30 June 2016 | 360,179 | 233,181 | 67,181 |
| 30 June 2015 | (70,788) | 96,269 | 63,425 |

If the $AUD had weakened against the respective currencies by 10% (2015: 10%) then this would have had the following impact:

| | **NZD** | **USD** | **SGD** |
|---|---|---|---|
| | **$** | **$** | **$** |
| 30 June 2016 | (360,179) | (233,181) | (67,181) |
| 30 June 2015 | 70,788 | (96,269) | (63,425) |

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

***Commodity price risk***

The Group's exposure to price risk is minimal.

**Credit risk**

The Group trades only with recognised, creditworthy third parties.

It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Customers that fail to meet the Group's creditworthiness may transact with the group only on a prepayment basis.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no material transactions that are not denominated in the measurement currency of the relevant operating unit. The Group does not offer credit terms without the specific approval of the Chief Financial Officer.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

***Exposure to credit risk***

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

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents (note 9) | 2,970,688 | 9,604,422 |
| Trade and other receivables (note 10) | 22,212,724 | 27,042,176 |
| | 25,183,412 | 36,646,598 |

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

| | | |
|---|---|---|
| Not past due | 15,707,407 | 20,865,139 |
| Past due 0-30 days | 4,969,381 | 4,020,351 |
| Past due 31-60 days | 253,921 | 673,927 |
| Past due 60 days | 1,480,072 | 1,214,777 |
| | 22,410,781 | 26,774,194 |

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

**Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and hire purchase contracts. The Group manages liquidity risk by forecasting and monitoring cash flows on a continuing basis.

As at 30 June 2016, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

| | 0-12 Months | 1 - 5 years | 5+ years |
|---|---|---|---|
| **30 June 2016** | **$** | **$** | **$** |
| Insurance premium funding loan | 151,813 | - | - |
| Other bank borrowings | 10,356,822 | 2,950,094 | - |
| Finance leases and hire purchase obligations | 3,130,419 | 3,265,127 | - |
| Deferred consideration | 2,200,993 | 6,753,111 | - |
| Trade and other payables | 21,999,912 | - | - |
| **Total** | 37,839,959 | 12,968,332 | - |

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

| | 0-12 Months | 1 - 5 years | 5+ years |
|---|---|---|---|
| **30 June 2015** | **$** | **$** | **$** |
| Insurance premium funding loan | 125,181 | - | - |
| Other bank borrowings | 4,446,529 | 10,824,949 | 1,268,432 |
| Finance leases and hire purchase obligations | 2,159,774 | 3,470,264 | - |
| Deferred consideration | 5,560,782 | 5,510,782 | - |
| Trade and other payables | 22,009,946 | - | - |
| **Total** | 34,302,212 | 19,805,995 | 1,268,432 |

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 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:

| 2016 | 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 | 2,970,688 | - | - | 2,970,688 | 0.20% |
| Trade and other receivables | - | - | 22,212,724 | 22,212,724 | |
| Total financial assets | 2,970,688 | - | 22,212,724 | 25,183,412 | |
| **ii) Financial liabilities – at amortised cost** | | | | | |
| Trade and other payables | - | - | 21,999,912 | 21,999,912 | |
| Finance leases and hire purchase obligations | - | 6,120,075 | - | 6,120,075 | 4.61% |
| Insurance premium funding loan | - | 151,813 | - | 151,813 | 6.30% |
| Deferred consideration | - | 7,978,729 | 975,375 | 8,954,104 | 6.63% |
| Bank Loans | 13,306,916 | - | - | 13,306,916 | 5.51% |
| Total financial liabilities | 13,306,916 | 14,250,617 | 22,975,287 | 50,532,820 | |

| 2015 | Floating interest rate $ | Fixed interest rate $ | Non-interest bearing $ | Carrying amount as per balance sheet $ | Weighted average effective interest rate |
|---|---|---|---|---|---|
| **i) Financial Assets** | | | | | |
| Cash | 9,604,422 | - | - | 9,604,422 | 0.85% |
| Trade and other receivables | - | - | 27,042,176 | 27,042,176 | |
| Total financial assets | 9,604,422 | - | 27,042,176 | 36,646,598 | |
| **ii) Financial liabilities – at amortised cost** | | | | | |
| Trade and other payables | - | - | 22,009,946 | 22,009,946 | |
| Finance leases and hire purchase obligations | - | 5,630,038 | - | 5,630,038 | 3.71% |
| Insurance premium funding loan | - | 125,181 | - | 125,181 | 5.30% |
| Deferred consideration | - | - | 11,071,564 | 11,071,564 | |
| Bank Loans | 16,539,910 | 12,093,381 | - | 16,539,910 | 4.13% |
| Total financial liabilities | 16,539,910 | 17,848,600 | 33,081,510 | 55,376,639 | |

## 25 COMMITMENTS AND CONTINGENCIES

No contingent assets as at 30 June 2016.

**Commitments for Expenditure**

| | 2016 $ | 2015 $ |
|---|---|---|
| **A. Leases and Hire Purchase** | | |
| The consolidated entity has various computer equipment on hire purchase arrangements. | | |
| Not later than one year | 3,130,419 | 2,361,923 |
| Later than one year but not later than five years | 3,265,127 | 3,654,264 |
| Less: unexpired charges | (275,471) | (386,148) |
| | 6,120,075 | 5,630,039 |

| | | |
|---|---|---|
| **Leases and Hire Purchase** | | |
| Current | - | 2,159,774 |
| Non-current | 6,120,075 | 3,470,264 |
| Total Hire Purchase | 6,120,075 | 5,630,039 |

**B. Operating leases**

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

| | 2016 $ | 2015 $ |
|---|---|---|
| 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 | 4,484,493 | 3,903,468 |
| Later than one year but not later than five years | 13,238,790 | 13,687,713 |
| Later than five years | 6,306,973 | 3,431,862 |
| Total | 24,030,256 | 21,023,043 |

### 26 INVESTMENT IN CONTROLLED ENTITY

| | | Country of Incorporation | % Equity Interest 2016 % | % Equity Interest 2015 % |
|---|---|---|---|---|
| Tusk Technologies Pty Ltd | | Australia | 100 | 100 |
| Conducive Pty Ltd | | Australia | 100 | 100 |
| OBS Pty Ltd | | Australia | 100 | 100 |
| eSavvy Pty Ltd | | Australia | 100 | 100 |
| i5 Software Pty Ltd | | Australia | 100 | 100 |
| Intergen Business Solutions Pty Ltd | | Australia | 100 | 100 |
| Intergen Limited | | New Zealand | 100 | 100 |
| Intergen X4 Holdings Limited | | New Zealand | 100 | 100 |
| Intergen USA Limited | | New Zealand | 100 | 100 |
| Intergen ESS Limited | *(a)* | New Zealand | 100 | - |
| Empired Singapore Pte Ltd | | Singapore | 100 | 100 |
| Intergen North America Limited | | USA | 100 | 100 |

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

### 27 AUDITORS' REMUNERATION

| | 2016 $ | 2015 $ |
|---|---|---|
| Amounts received or due and receivable by auditors of the parent entity: | | |
| **Audit and review of financial statements** | | |
| Grant Thornton Australia | 150,900 | 186,764 |
| Overseas Grant Thornton network firms | 48,270 | 85,804 |
| Remuneration for audit and review of financial statements | 199,170 | 272,568 |
| **Other Services** | | |
| Grant Thornton Australia: | | |
| Taxation compliance | 29,708 | 27,073 |
| Due diligence services | - | 153,678 |
| Overseas Grant Thornton network firms: | | |
| Taxation compliance | 2,959 | - |
| Due diligence services | - | 21,779 |
| Total other services remuneration | 32,667 | 202,530 |
| **Total auditor's remuneration** | **231,837** | **475,098** |

## 28 PARENT ENTITY

As at, and throughout, the financial year ended 30 June 2016 the parent entity of the Group was Empired Limited.

| | 2016 | 2015 |
|---|---|---|
| **Statement of financial position** | **$** | **$** |
| Current assets | 20,931,412 | 17,218,630 |
| Total assets | 71,863,458 | 86,155,127 |
| Current liabilities | 33,754,060 | 24,428,518 |
| Total liabilities | 50,254,001 | 46,961,325 |
| | | |
| Issued capital | 38,783,679 | 37,779,130 |
| Employee equity benefits reserve | 1,640,205 | 1,410,258 |
| (Accumulated losses) / retained profits | (18,814,427) | 4,414 |
| Total equity | 21,609,457 | 39,193,802 |
| | | |
| **Statement of comprehensive income** | | |
| Loss for year | (18,818,841) | (1,828,912) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (18,818,841) | (1,828,912) |

## 29 RELATED PARTY TRANSACTIONS

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

**Transactions with associates**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

During the financial year, the Group received $66,304 in revenue from its associate, X4 Consulting Limited, as well as a dividend of $214,887.

**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. Refer to the Remuneration Report for compensation made to executive directors and other members of key management personnel.

## 30 EVENTS AFTER THE REPORTING DATE

On 19 August 2016, the company re-negotiated its Australian banking facilities such that debt falling due by 30 June 2017 of $6.8m included in current liabilities in the balance sheet at 30 June 2016 will now fall due by March 2018 and as such would have been classified as a non-current liability at 30 June 2016 if the re-negotiations had been completed at 30 June 2016. Refer to note 18 Borrowings for further details.

No other adjusting or 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 2016 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 2016 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the *Corporations Regulations 2001* ;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

On behalf of the Board

Russell Baskerville
Managing Director

24th of August 2016

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

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

## Auditor's Independence Declaration
## To the Directors of Empired Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Empired Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 24 August 2016

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

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
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**E** info.wa@au.gt.com
**W** www.grantthornton.com.au

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

## Report on the financial report

We have audited the accompanying financial report of Empired Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

## Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

**Independence**
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's opinion**
In our opinion:

a the financial report of Empired Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Report on the remuneration report**
We have audited the remuneration report included in pages 16 to 23 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Empired Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 24 August 2016

## Shareholding Analysis

In accordance with Listing Rule 4.10 of ASX Limited, the Directors provide the following shareholding information which was applicable as at 30th June 2016.

**a. Distribution of Shareholding**

| Size of Shareholding | Number of shareholders | % |
|---|---|---|
| 1 - 1,000 | 139 | 0.07 |
| 1,001 - 5,000 | 679 | 1.62 |
| 5,001 - 10,000 | 322 | 2.19 |
| 10001 - 100,000 | 726 | 19.93 |
| 100,001 - max | 124 | 76.19 |
| **Total** | **1,990** | **100.00** |

**b. Substantial Shareholders**

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

| Shareholder | Number of shares held | % |
|---|---|---|
| Australian Ethical Smaller Companies Trust | 17,331,172 | 14.44 |
| Tiga Trading Pty Ltd | 8,024,924 | 6.68 |
| Baskerville Investments Pty Ltd | 7,450,059 | 6.21 |

**c. Twenty Largest Shareholders**

The names of the twenty largest shareholders as at 6 July 2016 are:

| Name | Number of shares held | % |
|---|---|---|
| NATIONAL NOMINEES LIMITED | 19,741,339 | 15.50 |
| UBS NOMINEES PTY LTD | 8,024,924 | 7.15 |
| BASKERVILLE INVESTMENTS PTY LTD | 7,800,000 | 6.10 |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 5,997,076 | 4.61 |
| MR TONY JOHN ALAN STEWART | 4,323,111 | 4.56 |
| MR JOHN ALEXANDER BARDWELL | 4,099,904 | 3.82 |
| VIBURNUM FUNDS PTY LTD <VF STRATEGIC EQUITIE S/F A/C> | 1,800,000 | 2.86 |
| MR DENNIS RONALD PAYNE | 1,770,517 | 2.60 |
| MR MARK EDWARD WALLER | 1,747,260 | 2.59 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 1,728,046 | 2.13 |
| UNIPLEX CONSTRUCTIONS PTY LTD <WESVILLE SUPER FUND A/C> | 1,590,000 | 1.77 |
| PJTR PTY LTD | 1,487,809 | 1.49 |
| MR JIANLIANG MAO | 1,225,000 | 1.39 |
| ZERO NOMINEES PTY LTD | 1,070,000 | 1.30 |
| CITICORP NOMINEES PTY LIMITED | 1,045,640 | 1.28 |
| ICE COLD INVESTMENTS PTY LTD | 1,000,000 | 1.16 |
| GABRIELLA NOMINEES PTY LTD <ERROL WILFRED LEVITT A/C> | 900,000 | 0.95 |
| MS KRISTY CHRISTOPHERSEN <CHRISTOPHERSEN A/C> | 800,000 | 0.87 |
| ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C> | 764,333 | 0.87 |
| MR DAVID WILLIAM HEDGE + MRS OLGA HEDGE <DAVID HEDGE FAMILY A/C> | 750,000 | 0.84 |
| **Total** | **67,664,959** | **63.84** |

The twenty members holding the largest number of shares together held a total of 63.84% of issued capital.

## Shareholding Analysis

**d. Issued Capital**

**(i) Ordinary Shares**

The fully paid issued capital of the company consisted of 120,048,538 shares held by 1990 shareholders.
Each share entitles the holder to one vote.
The number of shareholdings held in less than marketable parcels is 194.

**(ii) Unquoted Equity**

No options were issued in the year under the company share options plan
444,915 performance rights were issued under the company's LTI plan
Options do not have any voting rights.

**e. On-Market Buy-Back**

There is no current on-market buy-back.

**f. Company Secretary**

The Company Secretary is Mr 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

# Other Information for Shareholders (Continued)

**ANNUAL GENERAL MEETING**

The 2016 Annual General Meeting of Empired Limited will be held at:

Level 2, Meeting Room 8
Perth Convention and Exhibition Centre
21 Mounts Bay Road, Perth
at 11am on Tuesday, 29 November 2016

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