



## Interim Financial Report and Appendix 4D

Empired Limited and its Controlled Entities  
ABN 81 090 503 843

Reporting Period: Half year ended 31 December 2019  
Previous Corresponding Period: Half year ended 31 December 2018

### Results for announcement to the market:

				31-Dec-19 \$	31-Dec-18 \$
Revenue	Down	5%	to	84,401,213	88,627,755
Net profit for the period attributable to members	Down	10%	to	2,009,678	2,242,857

				31-Dec-19 Cents	31-Dec-18 Cents
Basic earnings per share	Down	10%	to	1.26	1.40

	31-Dec-19 Cents	30-Jun-19 Cents
Net tangible asset backing per share (AASB16)	(4.01) <sup>1</sup>	n/a
Net tangible asset backing per share (pre AASB16)	6.46	6.48

<sup>1</sup> Note - Net Tangible Assets per share as at 31 December 2019 recognises the implementation of AASB 16: Leases. In accordance with ASIC guidance, "right of use" lease assets have been excluded from assets in the NTA calculation whilst the lease liability remains in the NTA calculation

### Dividends:

Nil.

### Details of entities over which control has been gained or lost during the period:

Not applicable.

### Details of dividend reinvestment plan:

Not applicable.

### Details of associates and joint venture entities:

Not applicable.

### For foreign entities, accounting standards used in compiling the report:

Not applicable.

### Description of any modified opinion, emphasis of matter or other matter paragraph contained in the independent auditor's review report:

The independent auditor's review report is attached to the Interim Financial Report. The independent auditor's review report does not contain any modified opinion, emphasis of matter, other matter paragraph.

**Empired Limited**  
**And Its Controlled Entities**

**Interim Financial Report**  
**For the half-year ended 31 December 2019**

**ACN 090 503 843**

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# Corporate Directory

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## Directors

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

## 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

## Principal Places of Business

### Perth

Level 7  
The Quadrant  
1 William Street  
Perth WA 6000

### Melbourne

Level 5, 257 Collins Street  
Melbourne VIC 3000

### Seattle

2018 156th Ave NE  
Suite 108  
Bellevue, WA, 98007  
USA

## Company Secretary

David Hinton

## Auditors

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

## Share Register

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

## ASX Code

EPD

### Adelaide

Level 2, 8 Leigh Street  
Adelaide SA 5000

### Brisbane

Level 11, 79 Adelaide Street  
Brisbane QLD 4000

### Sydney

Level 12, 9 Hunter Street  
Sydney NSW 2000

### Wellington

Level 4, 80 Willis Street  
Wellington 6011

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

## Directors' Report

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The directors present their interim report together with the consolidated half year financial report of Empired Limited ("the Company") and its controlled entities, for the half-year ended 31 December 2019.

### Directors' Names

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

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

### Review of Results & Operations

Revenue for the half-year was \$84,401,213 (HY2019: \$88,627,755), representing a decrease of 5% on the prior corresponding period.

Consolidated net profit after tax for the half-year was \$2,009,678 (HY2019: \$2,242,857), representing a decrease of 10% on the prior comparative period.

### Dividends

The directors of Empired Limited have not declared a dividend for the half year ended 31 December 2019. The company did not pay a dividend for the previous financial year.

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

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

Signed in accordance with a resolution of directors.



Russell Baskerville  
Managing Director  
Perth, 18th February 2020

# Statement of Profit or Loss and Other Comprehensive Income

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

		Consolidated 6 months to 31 December 2019	Consolidated 6 months to 31 December 2018
	Notes	\$	\$
Revenue from contracts with customers	7	84,401,213	88,627,755
Cost of licenses		(7,017,098)	(6,976,485)
Employee benefit		(63,282,103)	(63,872,655)
Occupancy expenses		(475,723)	(2,825,659)
Depreciation and amortisation expenses	8	(3,954,629)	(4,380,648)
Other expenses		(5,808,494)	(6,711,981)
<b>Operating profit</b>		<b>3,863,166</b>	<b>3,860,327</b>
Finance costs	9	(924,455)	(677,747)
Finance income		16,501	31,905
<b>Profit before tax</b>		<b>2,955,212</b>	<b>3,214,485</b>
Income tax expense		(945,534)	(971,628)
<b>Profit for the period</b>		<b>2,009,678</b>	<b>2,242,857</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit / (loss):</i>			
Exchange differences on translating foreign operations		76,461	452,545
<b>Total comprehensive income for the period</b>		<b>2,086,139</b>	<b>2,695,402</b>
Earnings per share (cents per share):			
Basic earnings per share	10	1.26	1.40
Diluted earnings per share	10	1.21	1.35

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

# Statement of Financial Position

AS AT 31 DECEMBER 2019

	Notes	Consolidated 31 December 2019 \$	Consolidated 30 June 2019 \$	Consolidated 31 December 2018 \$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents		2,746,310	5,551,971	6,747,212
Trade and other receivables		18,638,433	22,985,739	21,331,607
Contract assets		9,076,279	12,136,933	14,191,533
Other current assets		2,021,332	2,273,771	2,052,161
<b>Total Current Assets</b>		<b>32,482,354</b>	<b>42,948,414</b>	<b>44,322,513</b>
<b>Non-Current Assets</b>				
Plant and equipment		5,637,665	6,236,263	15,362,889
Intangible assets	12	53,759,683	51,539,561	65,991,404
Deferred tax asset		7,757,900	8,160,143	1,686,308
Right of use assets	13	16,742,367	-	-
<b>Total Non-current assets</b>		<b>83,897,615</b>	<b>65,935,967</b>	<b>83,040,601</b>
<b>TOTAL ASSETS</b>		<b>116,379,969</b>	<b>108,884,381</b>	<b>127,363,114</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables		12,849,610	16,685,941	15,896,158
Income tax payable		562,403	35,705	590,609
Borrowings	14	1,902,966	2,032,726	1,974,253
Lease liabilities		6,216,028	376,534	230,148
Provisions		5,717,404	5,925,436	5,770,248
Contract liabilities		773,802	2,158,205	1,267,374
<b>Total Current Liabilities</b>		<b>28,022,213</b>	<b>27,214,547</b>	<b>25,728,790</b>
<b>Non-Current Liabilities</b>				
Borrowings	14	10,740,860	17,413,416	19,936,890
Lease liabilities		12,660,601	-	-
Provisions		872,542	2,334,927	2,638,883
<b>Total Non-Current Liabilities</b>		<b>24,274,003</b>	<b>19,748,343</b>	<b>22,575,773</b>
<b>TOTAL LIABILITIES</b>		<b>52,296,216</b>	<b>46,962,890</b>	<b>48,304,563</b>
<b>NET ASSETS</b>		<b>64,083,753</b>	<b>61,921,491</b>	<b>79,058,551</b>
<b>EQUITY</b>				
Issued capital	15	54,146,878	54,204,746	54,204,746
Reserves		3,636,104	3,425,657	3,008,013
Retained profits		6,300,771	4,291,088	21,845,792
<b>TOTAL EQUITY</b>		<b>64,083,753</b>	<b>61,921,491</b>	<b>79,058,551</b>

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

# Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Notes	Consolidated 6 months to 31 December 2019 \$	Consolidated 6 months to 31 December 2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		100,308,632	97,728,667
Payments to suppliers and employees		(89,533,177)	(96,554,066)
Income tax refunded/(paid)		176,813	(454,737)
<b>Net cash flows from operating activities</b>	11	<u>10,952,268</u>	<u>719,864</u>
<b>Cash flows from investing activities</b>			
Purchase of intangibles		(2,583,752)	(5,242,173)
Purchase of plant and equipment		(165,819)	(375,785)
<b>Net cash flows used in investing activities</b>		<u>(2,749,571)</u>	<u>(5,617,958)</u>
<b>Cash flows from financing activities</b>			
Buyback of shares		(57,868)	-
Finance costs (net)		(907,953)	(645,844)
Repayment of borrowings		(13,159,664)	(1,800,834)
Proceeds from borrowings		6,223,564	1,000,000
Repayment of lease liabilities		(3,110,043)	(317,299)
<b>Net cash flows used in financing activities</b>		<u>(11,011,964)</u>	<u>(1,763,977)</u>
Net decrease in cash and cash equivalents		(2,809,267)	(6,662,071)
Effect of exchange rate fluctuations on cash held		3,606	44,604
Cash and cash equivalents at beginning of period		5,551,971	13,364,679
<b>Cash and cash equivalents at end of period</b>		<u><u>2,746,310</u></u>	<u><u>6,747,212</u></u>

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

## Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	<i>Issued Capital</i>	<i>Retained Profits</i>	<i>Foreign Currency Translation Reserve</i>	<i>Share Based Payment Reserve</i>	<i>Total Equity</i>
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	54,204,746	4,291,088	389,481	3,036,176	61,921,491
Profit for the period	-	2,009,678	-	-	2,009,678
Other comprehensive income	-	-	76,461	-	76,461
Share Buy Back	(57,868)	-	-	-	(57,868)
Share-based payments	-	-	-	133,986	133,986
<b>Balance at 31 December 2019</b>	<u>54,146,878</u>	<u>6,300,771</u>	<u>465,942</u>	<u>3,170,162</u>	<u>64,083,753</u>
<b>Balance at 1 July 2018</b>	54,204,746	19,885,445	(96,676)	2,381,783	76,375,298
Adjustment for adoption of AASB 9	-	(282,519)	-	-	(282,519)
Profit for the period	-	2,242,857	-	-	2,242,857
Other comprehensive income	-	-	452,545	-	452,545
Share-based payments	-	-	-	270,361	270,361
<b>Balance at 31 December 2018</b>	<u>54,204,746</u>	<u>21,845,783</u>	<u>355,869</u>	<u>2,652,144</u>	<u>79,058,542</u>

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

# Notes to the Financial Statements

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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### 1 NATURE 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 operations in Australia, New Zealand and USA, Empired has built a reputation for service excellence and is a leading provider of IT professional services to both government and private sectors. We work with clients to deliver high quality solutions to meet their business requirements.

### 2 GENERAL INFORMATION AND BASIS OF PREPARATION

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2019 and are presented in Australian Dollars, which is the functional currency of the Parent Company. The Statement of Financial Position includes a comparative as at 30 June 2019 and as at 31 December 2018 in order to provide further information. Certain comparatives have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net profit or cash flows. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2019 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the

The condensed interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 30 June 2019, except for the effects of applying AASB 16 Leases which has become effective this year.

The Interim Financial Statements have been approved and authorised for issue by the Board of Directors on 18 February 2020.

### 3 NEW STANDARDS ADOPTED AS AT 1 JULY 2019

AASB 16 Leases has been applied using the modified retrospective approach. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from AASB 117 and IFRIC 4 and has not applied AASB 16 to arrangements that were previously not identified as lease under AASB 117 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019.

At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments and lease incentives. The provision for lease incentives previously booked has accordingly been de-recognised. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16. As at the date of adoption there were no leases considered onerous or right of use assets impaired. On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised was 4.1% per annum.

On transition, leases previously accounted as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group the accounting policy to account for the lease expense on a straight-line basis over the remaining lease term and not recognising a right-of-use assets continues.

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

## 3 NEW STANDARDS ADOPTED AS AT 1 JULY 2019 (Continued)

### Leases

As described above, the Group has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 117.

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

### Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the Statement of Profit or Loss on a straight-line basis over the lease term. Right-of-use assets and lease liabilities are shown on the Statement of Financial Position.

The adoption of AASB 16 has also effected the Statement of Cash Flows since 1 July 2019. Previously lease payments, included as a period cost in the Statement of Profit or Loss, where included in Cash flows from Operating activities now these outflows are included in Finance activities split between repayment of lease liabilities and finance costs.

## Notes to the Financial Statements (Continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2019

#### 3 NEW STANDARDS ADOPTED AS AT 1 JULY 2019 (Continued)

The following is a reconciliation of total leases commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

	\$
Lease Commitments as at 30 June 2019	22,968,953
Provision reclassified	(723,910)
Lease liabilities as at 30 June 2019	390,698
	<u>22,635,741</u>
Future finance charges	(1,810,087)
Lease liabilities as at 1 July 2019	<u>20,825,654</u>

Lease liabilities are presented in the statement of financial position.

The Group has leases for its office premises and software.

Future minimum lease payments at 31 December 2019 were as follows:

	Minimum lease payments due			
	<i>Within one year</i>	<i>1 - 5 years</i>	<i>After 5 years</i>	<i>Total</i>
Lease payments	6,937,281	12,903,540	731,078	20,571,898
Finance charges	(721,253)	(949,266)	(24,751)	(1,695,269)
Net present values	<u>6,216,028</u>	<u>11,954,274</u>	<u>706,327</u>	<u>18,876,629</u>

#### 4 ESTIMATES

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019.

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

## 5 SIGNIFICANT EVENTS AND TRANSACTIONS THAT HAVE OCCURRED IN THE PERIOD

There has been no material significant events and transactions that have occurred in the period except for the adoption of AASB 16 as explained above. The key impact has been to bring to account a right to use asset and lease liability in respect to the obligations under the lease of the office premises of the Group together with the introduction of an amortisation charge on the right of use asset and the splitting of rental payments between interest and principle reduction of the lease liability.

The financial effect on this financial report is summarised as follows:

Statement of Profit or Loss	31-Dec-19	Previous treatment
Occupancy expenses	Reduced by approx. \$2.5m from PcP	Rental payments (net of incentives) included
Depreciation & amortisation (note 8)	\$2,752,960	n/a
Finance expenses (note 9)	\$404,340	n/a
<b>Statement of Financial Position</b>		
Right of use assets	\$16,742,367	n/a
Lease liabilities (current and non-current)	\$18,876,629	n/a
Lease incentive (provision)	Nil as de-recognised	\$2,464,544
<b>Statement of Cash Flows</b>		
Operating cash flow - (rent payments)	Increased approx. \$2.9m	Rental payments included in operating cashflow
Financing cash flow		
Repayment of lease liabilities	Increased approx. \$2.6m	Operating cash flow
Finance costs	Increased approx. \$0.4m	Operating cash flow

## 6 SEGMENT REPORTING

Management identifies its operating segments based on the Group's geographical presence. These operating segments are monitored by the group's chief decision maker. The Group's two operating segments are:

- Australia
- New Zealand

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

	Australia \$	New Zealand \$	Elimination \$	Total \$
<b>Six months to 31 December 2019</b>				
Revenue (external customers)	50,176,427	34,224,786	-	84,401,213
Segment operating profit	1,691,133	2,172,033	-	3,863,166
Segment assets	66,734,156	49,645,814	-	116,379,969
Segment liabilities	33,404,453	18,891,763	-	52,296,216
<b>Six months to 31 December 2018</b>				
<b>Revenue</b>				
From external customers	60,078,258	28,549,497	-	88,627,755
From other segment	376,825	252,661	(629,486)	-
Total	60,455,083	28,802,158	(629,486)	88,627,755
Segment operating profit	1,809,729	2,050,598	-	3,860,327
Segment assets	84,602,704	42,760,411	-	127,363,115
Segment liabilities	39,622,369	8,682,195	-	48,304,563

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

## 7 REVENUE

	6 Months to 31 December 2019	6 Months to 31 December 2018
	\$	\$
<b>Revenue</b>		
Services revenue (1)	77,022,880	81,208,557
Product and license revenue (2)	7,378,333	7,419,198
<b>Total revenue from contracts with customers</b>	<b>84,401,213</b>	<b>88,627,755</b>
(1) Transferred over time		
(2) Transferred at a point in time		
<b>Geographical markets</b>		
<b>Australia</b>		
Services revenue	45,536,664	55,111,570
Product and license revenue	4,639,764	5,343,513
<b>New Zealand</b>		
Services revenue	31,486,216	26,726,473
Product and license revenue	2,738,570	2,075,685
Inter segment revenue	-	(629,486)
<b>Total revenue from contracts with customers</b>	<b>84,401,213</b>	<b>88,627,755</b>
<b>Market type</b>		
Government	26,774,376	21,452,643
Non- Government	57,626,837	67,175,112
<b>Total revenue from contracts with customers</b>	<b>84,401,213</b>	<b>88,627,755</b>

## 8 DEPRECIATION & AMORTISATION EXPENSES

	6 Months to 31 December 2019	6 Months to 31 December 2018
	\$	\$
Depreciation of plant and equipment	(773,325)	(2,100,334)
Amortisation of intangible assets	(428,344)	(2,280,314)
Amortisation of right of use assets	(2,752,960)	-
	<b>(3,954,629)</b>	<b>(4,380,648)</b>

## 9 FINANCE COSTS

	6 Months to 31 December 2019	6 Months to 31 December 2018
	\$	\$
Interest on borrowings	(520,115)	(660,511)
Interest on lease liabilities	(404,340)	(17,236)
	<b>(924,455)</b>	<b>(677,747)</b>

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

## 10 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS amounts are calculated by dividing net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period 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 share data used in the EPS computations:

	6 Months to 31 December 2019	6 Months to 31 December 2018
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	160,074	160,126
Effect of Dilution:		
Performance rights	6,503	6,543
Weighted average number of ordinary shares adjusted for the effect of dilution	166,577	166,669

## 11 CASH AND CASH EQUIVALENTS

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

	Consolidated 31 December 2019	Consolidated 31 December 2018
	\$	\$
Profit after income tax	2,009,678	2,242,857
Finance costs (net)	907,954	645,844
Depreciation and amortisation	3,954,629	4,380,648
Share payment expense	133,986	270,361
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
Decrease in receivables	4,347,306	3,554,103
Decrease / (increase) in contract assets	3,060,654	(3,297,368)
Decrease in prepayments and other receivables	252,439	612,082
Decrease in trade creditors and other payables	(3,526,345)	(6,147,753)
Decrease in lease incentives	-	(467,073)
Decrease in contract liabilities	(1,384,403)	(1,025,936)
Decrease in deferred tax assets	402,243	318,301
(Decrease) / increase in provisions	794,127	(366,202)
Net cash from operating activities	10,952,268	719,864

### (b) Non cash transactions

The following material non-cash transactions have been excluded from investing and financing activities.

- 1) the recognition of lease liabilities in the amount of \$19,577,632 as at 1 July 2019
- 2) the recognition of right of use assets of \$17,113,088 as at 1 July 2019
- 3) the derecognition of lease incentive provisions in the amount of \$2,464,544 as at 1 July 2019

## Notes to the Financial Statements (Continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2019

#### 12 INTANGIBLE ASSETS

	31 December 2019	30 June 2019	31 December 2018
	\$	\$	\$
<b>Goodwill</b>			
Cost	46,446,049	46,446,049	46,446,049
Net carrying value	46,446,049	46,446,049	46,446,049
<b>Software</b>			
Cost	29,997,370	26,883,054	30,135,759
Amortisation	(6,145,552)	(5,288,299)	(10,639,915)
Impairment	(16,538,184)	(16,504,334)	-
Net carrying value	7,313,634	5,090,421	19,495,844
<b>Other</b>			
Cost	162,550	162,550	487,037
Amortisation	(162,550)	(159,459)	(437,526)
Net carrying value	-	3,091	49,511
	53,759,683	51,539,561	65,991,404

	Goodwill \$	Software \$	Other \$	Total \$
<b>Period ended 31 December 2019</b>				
Balance at the beginning of the year	46,446,049	5,090,421	3,091	51,539,561
Additions	-	2,583,752	-	2,583,752
Amortisation charge	-	(425,253)	(3,091)	(428,344)
Foreign currency exchange differences	-	39,714	-	39,714
Closing value at 31 December 2019	46,446,049	7,288,634	-	53,734,683
<b>Period ended 31 December 2018</b>				
Balance at the beginning of the year	46,446,049	16,195,429	71,299	62,712,777
Additions	-	5,242,173	-	5,242,173
Amortisation charge	-	(2,253,294)	(27,020)	(2,280,314)
Foreign currency exchange differences	-	311,536	5,232	316,768
Closing value at 31 December 2018	46,446,049	19,495,844	49,511	65,991,404

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

#### 13 RIGHT OF USE OF ASSETS

	Consolidated 6 months to 31 December 2019	Consolidated 6 months to 31 December 2018	Consolidated 6 months to 31 December 2018
	\$	\$	\$
On adoption of AASB 16	17,113,088	-	-
Additions	2,382,240	-	-
	19,495,327	-	-
Amortisation	(2,752,960)	-	-
	16,742,367	-	-

# Notes to the Financial Statements (Continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

## 14 BORROWINGS

	31 December 2019	30 June 2019	31 December 2018
	\$	\$	\$
<b>Current</b>			
<b>Amortised cost:</b>			
Obligations under bank loan	1,873,194	1,869,612	1,867,111
Obligations under premium funding contracts	29,772	163,114	107,142
	<u>1,902,966</u>	<u>2,032,726</u>	<u>1,974,253</u>
<b>Non-current</b>			
<b>Amortised cost:</b>			
Obligations under bank loan	<u>10,740,860</u>	<u>17,413,416</u>	<u>19,936,890</u>

## 15 ISSUED CAPITAL

Ordinary Shares fully paid	54,146,878	54,204,746	54,204,746
<b>Movement in ordinary shares on issue</b>	<b>No.</b>	<b>\$</b>	
At 1 July 2018	160,077,919	54,204,746	
Issue of ordinary shares (net of issue costs)	49,278	-	
At 30 June 2019	160,127,197	54,204,746	
Buyback of ordinary shares	(203,119)	(57,868)	
<b>At 31 December 2019</b>	<b>159,924,078</b>	<b>54,146,878</b>	

Ordinary shares entitle the holder to participate in dividends, and carry one vote per share.

	<b>Consolidated 31 December 2019</b>
<b>Movement in Performance Rights for the reporting period</b>	<b>No.</b>
On issue at the beginning of the period	6,481,636
Granted during the period	2,786,667
Forfeited during the period	(2,765,069)
On issue at the end of the period	<u>6,503,234</u>

## 16 FINANCIAL ASSETS AND LIABILITIES

The carrying amount of financial assets and financial liabilities in each category are as follows:

	<b>Consolidated 31 December 2019</b>	<b>Consolidated 30 June 2019</b>	<b>Consolidated 31 December 2018</b>
<b>Financial Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	2,746,310	5,551,971	6,747,212
Trade and other receivables	18,638,433	22,985,739	21,331,607
Contract assets	9,076,279	12,136,933	14,191,533
Deferred tax asset	7,757,900	8,160,143	1,686,308
Total financial assets	<u>38,218,922</u>	<u>48,834,786</u>	<u>43,956,660</u>
<b>Financial Liabilities</b>	<u>52,296,216</u>	<u>46,962,890</u>	<u>48,304,563</u>

## 17 SUBSEQUENT EVENTS

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


## Directors' Declaration

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In the opinion of the Directors of Empired Limited:

- (a) The consolidated financial statements and notes of Empired Limited 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 31 December 2019 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become payable.

Signed in accordance with a resolution of the Directors.



Russell Baskerville  
Managing Director & CEO  
Perth, 18th February 2020

## Auditor's Independence Declaration

### To the Directors of Empired Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Empired Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



L A Stella  
Partner – Audit & Assurance

Perth, 18 February 2020

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# Independent Auditor's Review Report

## To the Members of Empired Limited

### Report on the review of the half year financial report

#### Conclusion

We have reviewed the accompanying half year financial report of Empired Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Empired Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

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

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

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Empired Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



L A Stella  
Partner – Audit & Assurance

Perth, 18 February 2020