2017

2018

annual report

Prophecy **International Holdings Limited**

# Corporate Directory
## For the Year Ended 30 June 2018

**Prophecy International Holdings Ltd**
ACN 079 971 618
ABN 16 079 971 618

**Directors**
Edwin Reynolds
Leanne R Challans
Matthew T Michalewicz
Grant R Miles

**Company Secretary**
Grant R Miles

**Registered Office**
Level 1, 76 Waymouth Street
Adelaide, South Australia 5000
Telephone + 61 8 8213 1200

**Subsidiaries**
**Prophecy Americas Inc**
8480 East Orchard Road, Suite 4350
Greenwood Village, CO 80111 USA
Telephone: +1 800 834 1060
Facsimile: +1 303 771 2666

**Prophecy Europe Ltd**
5 Brooklands Place
Sale, M33 3SD
United Kingdom

**Intersect Alliance International Pty Ltd**
Level 1, 76 Waymouth Street
Adelaide, South Australia 5000
Telephone + 61 8 8213 1200

**eMite Pty Ltd**
Level 5, 220 George Street
Sydney, NSW 2000
Australia
Telephone + 61 2 9252 9252

**Email**
info@prophecyinternational.com

**Internet**
prophecyinternational.com
intersectalliance.com
eMite.com

**Share Registry**
Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000
GPO Box 1903
Adelaide, South Australia 5001

Phone (from within Australia): 1300 556 161
Phone (from overseas) : + 61 3 9415 4000
Email: web.queries@computershare.com.au
www.computershare.com

**Auditors**
Grant Thornton Audit Pty Ltd
Level 3
170 Frome Street
Adelaide, South Australia 5000

**Solicitors**
O'Loughlins, Barristers & Solicitors
99 Frome Street
Adelaide, South Australia 5000

**Bankers**
Commonwealth Bank of Australia
96 King William Street
Adelaide, South Australia 5000

National Australia Bank
Business Banking Centre
Level 9, 22 King William Street
Adelaide, South Australia 5000

**Corporate Governance Statement**
http://www.prophecyinternational.com/wp-content/uploads/00-PRO-2018-Corporate-Governance-Statement.pdf

# Company Profile
## For the Year Ended 30 June 2018

Prophecy is a global software company developing Australian innovation for global customers in the SaaS/cloud, cyber security and big data/analytics markets. The company is headquartered in Adelaide and has offices in Sydney, Denver USA, and the UK. Prophecy is listed on the ASX under the PRO code.

Founded in 1980, Prophecy has been involved in the development of software solutions to provide business value by securing the enterprise, protecting from Cyber threats and delivering business insights through analytics. We believe that you should be able to make better decisions, faster to protect and improve your business operations.

Our product offerings have evolved over time to ensure our solutions remain relevant in the fast-changing world of technology and in response to market changes, customer needs and regulatory requirements.

Prophecy software has been deployed at more than 2,500 customer sites globally and our continuous re-invention and commitment to customer-driven product development has enabled Prophecy to maintain our position as a trusted vendor within industries such as Banking and Finance, Public Sector, Healthcare, Utilities, Manufacturing and Retail.

Prophecy sells to global markets through our direct sales force in Europe, USA and Australia and through a global network of partners across all our product suites.

Our customer base includes some of the best known brand names in the world including a large number of the Fortune 500.

**PRODUCT SET**

Our current brands include SNARE, eMite, and e-Foundation

**SNARE**

SNARE is a pioneer in the event logging market and has millions of software agents deployed on customer's systems around the world. It continues to be a critical component of any IT cyber security strategy and regulatory compliance requirement.

Development of the core SNARE logging technology started in Canberra in Australia by ex-Defence personnel for the Australian Defence Department. Large Corporates, Military and Government Agencies around the world rely on SNARE every second of every day as the military-grade platform of choice for audit, collection, analysis, reporting, management and storage of event logging information.

Whether for a mission-critical or highly sensitive site, an Enterprise wide deployment or a robust departmental solution, SNARE is a comprehensive set of event monitoring and analysis tools which address complex auditing and forensic logging requirements.

This year the SNARE products have expanded to include a full range of Next Generation SIEM and analytics technologies.

The SNARE product suite is comprised of several components:

- Fully supported light weight and powerful logging agents capable of very high EPS (Events per Second) for multiple systems including Windows, Unix, Linux, OSX and others called Snare Enterprise Agents
- A collection, compression, filtering, storage and forwarding technology known as Snare Central
- An Agent Management Console for managing the configuration of fleets of thousands of agents
- A powerful Analytics engine for Syslog data with prebuilt KPI's and algorithms, real time and historical analytics, pre-built dashboards and reports called Snare Analytics that can be deployed in the cloud or on premise.
- A next generation SIEM technology called Snare Advanced Threat Intelligence that brings the syslog data from Snare Agents and combines and correlates that data with information from sources including LDAP and Authentication technologies, Patch Management, Back Up, AWS and external data like STIX/TAXI threat data for real time and historical analysis and reporting that can be deployed in the cloud or on premise with pre-built KPI's, dashboards and reports.

All our software is Enterprise grade and has been installed in some of the largest, most complex and most sensitive environments in the world and is supported by our global support organisation.

# Company Profile

## For the Year Ended 30 June 2018

**eMite**

eMite provides big data and real time analytics software to customers based on an easy to deploy and simple to scale Software as a Service (SaaS) system with powerful analytics with a user configurable interface. eMite can also be installed on premise for customers who don't need cloud-based analytics.

eMite's analytics solutions deliver for customers looking for CX Intelligence, IT Ops Intelligence, DevOps insight and powers the analytics components of Snare Analytics and Snare Advanced Threat Intelligence.

eMite' s value includes:

- in cloud or on prem deployment
- adaptors and connectors to multiple data sources including Genesys contact centre software, CRM , Service Desk systems and over 70 more systems and applications
- "no code" KPI's and algorithms
- "no code" dashboards and reports
- Pre-built KPI's dashboards and reports for chosen markets

eMite correlates and combines data from multiple business sources into tailored, real-time dashboards & reports, helps to break down traditional information silos, enabling organisations to make faster, better and more insightful decisions.

eMite currently provides multilingual support in English, French, Spanish, Chinese and Japanese and has Tier 1 customers in many countries around the globe.

**e-Foundation**

eFoundation is a legacy software product with a few remaining customers. We are no longer developing new capability in this product.

# Contents
## For the Year Ended 30 June 2018

# Message from the CEO
## For the Year Ended 30 June 2018

### Letter to Shareholders

On behalf of Prophecy International Holdings Limited I would like to present our financial results for the FY18 year.

### Prophecy Vision

At Prophecy International, our vision is to find the best of emerging Australian software and take it to the world through our global operations.

Our aim is to deliver a cloud based software platform that enables our customers to effectively and efficiently manage their digital business in the primary areas of Cyber/IT Security and in Omni-channel Contact Centre and Customer Experience markets.

Our product strategy is not to simply provide software tools for business but to develop deep market or segment based IP that is built into the software ensuring it provides immediate business value for our customers. We believe that our customers deserve to make better business decisions, faster.

### Analysis of full year Results

The 2017-2018 financial year has been encouraging for the Prophecy Group as we continue our journey into a single integrated company.

| Summary of results | % change | Direction | $ |
|---|---|---|---|
| • Revenue from continuing ordinary activities | 16% | Up | 10,676,203 |
| • Profit/(Loss) from continuing ordinary activities before tax attributable to members | 38% | Down | (841,060) |
| • Profit/(Loss) from continuing and discontinued ordinary activities after tax attributable to members | 140% | Down | (791,386) |
| • Profit/(Loss) from continuing and discontinued ordinary activities attributable to members (after non-controlling interests) | 137% | Down | (730,194) |

The results this year did not include any revenue or costs from either Promadis or basis2 which were divested last year.

Total revenue was $10.676M up from $9.188M in last fiscal year. This was primarily driven by an improved result from eMite. It is pleasing to see a significant number of new eMite subscription customers added in the last year.

After tax profit/(loss) decreased from ($221,136) to ($793,837) as a result on additional investments made in product development and sales and marketing resources.

Cash on hand was $2.599M against $3.317M this time last year and the company remains debt free and cash flow positive.

### Business Strategy

As stated last year our strategy is one for growth. We consider ourselves to be a growth company and are looking to grow both top line revenue and bottom line profit. At present we are focussed on organic growth and are not focussed on acquisition. That’s not to say that we would not act if a suitable opportunity arose.

Our growth plan is based on the four pillars that we outlined last year:

- Product innovation – adding value and entering new markets and building additional annuity based revenue streams
- Improving our customer experience – keeping our customers and making them happy
- Optimising our sales and maketing – both coverage, channels and capability
- Improving our operation efficiency – running the business well and managing our costs

# Message from the CEO
## For the Year Ended 30 June 2018

I am pleased to say that we have made substantial progress in all these areas and still have opportunity to improve further.

We have also added to our leadership team bringing in expertise from across the industry to run marketing and customer operations (support and consulting). Christine Bishop has joined from IBM as Chief Marketing Officer, Stephen Irecki has joined from Genesys to lead pre and post sales consulting and customer support. We have also made changes to our structure to be a significantly more integrated company and as a result Stuart Geros has moved from eMite into the Chief Product Officer role for the group and Steve Challans has changed roles to be our Chief Information Security Officer and Cyber thought leader for the group.

Peter Barzen continues to lead our US business in Denver.

We have also integrated our software development teams in Adelaide and Sydney into a single team and moved to a common agile development methodology across the business.

We have increased our sales team to include new eMite sales resources in Australia, the US and Europe and re-aligned our sales resources for SNARE to adress our best market opportuity and to leverage and grow our partnerships and indirect channels. We plan to continue to add sales resources as needed to grow our coverage.

Our support team has also grown as we continue to add new customers. Our global support hub in Manilla has expanded to complement our support resources in the US and Australia and we have rolled out new support tools across the business.

**R&D**

FY18 has been a fruitful year for R&D at Prophecy with a number of significant product enhancements, new product releases and innovation in our current product offerings.

**Snare**

One of our core values is offering a product free of vulnerabilities in the Cyber market and this year we achieved Veracode certfication of the SNARE Enterprise Agent product. Prophecy can now demonstrate through a seal and provide an attestation letter from an industry leader that the application has undergone security testing as part of the development practice. Additionally, participating in the program ensures that our software meets a high standard of application security, reducing risk for our customers.

Last year we said that we would integrate our two core product technologies to add further capability to the platform and we have done just that. In July we launched SNARE Analytics and SNARE Threat Intelligence into the market and initial customer feedback has been positive. This will enable us to compete with a complete next generation SIEM solution rather than just selling a component of a solution in a market where other vendors provide log collection technology at no additional cost as part of the offering. A significant amount of effort has gone into this in the FY18 year to enable us to enter new markets with this software. These new offerings are avialable as either SaaS solutions in the cloud or on premise.

I am pleased to announce that we have secured both a large Asian based stock exchange and a large bank in Canada as some of our first customers of these new offerings.

We have built a great deal of our own IP into these offerings by building pre-built dashboards, reports and KPI’s to deliver on immediate customer requirements like the ASD “Essential 8” for the Australian Public Sector. One of our core values is decreasing the time, effort and specialised skills needed to deliver cyber threat detection for large organisations in either the public or private sector.

We have also increased the capability of the core SNARE logging agent technology by delivering a WEC logging tool, Binary Distribution for easier deployment and updating of SNARE agents in the field and File Integrity Monitoring (FIM) enabling customers to monitor and audit what changes have been made to files.

We have a strong roadmap of new capability for both the SNARE agent technolgy and the Advanced Analytics and Threat Intelligence offerings.

**eMite**

With eMite we have expanded our Advanced Analytics for PureCloud offering and now have prepackaged and “out of the box” offerings for PureConnect and PureEngage by Genesys. We have also started enabling our partners to expand on the

# Message from the CEO
## For the Year Ended 30 June 2018

eMite platfrom to bring their expertise to the technology to address other adjacent markets.
As a result of adding offerings for these additional Genesys products we are seeing an increase in the average deal size in our forward looking pipeline and also in the average contract term, with more 2 and 3 years deals being sold.

We have also significantly improved the performance of the platform and we have a robust and scalable product that we can be confident in taking to market. We continue to work with Genesys to add additional value and in October this year will be a launch partner for Genesys Premiums Apps. This means that eMIte will be available for purchase and installation from inside the Genesys PureCloud application with Single Sign On and integrated invoicing. This will massively decrease time to value and remove "friction" from the procurement and implementation process.

I would like to thank our great development teams in Sydney and Adelaide for their efforts in getting new technology into the market this year. I am confident that we have a team that will enable us to continue to innovate and deliver new value to our customers for a long time to come.

**Partnerships**

Our strategy of scaling through partnerships and indirect channels delivers a growing percentage of revenues.

Last year we announced our agreement with Genesys in the eMite/Contact Centre market. This relationship continues to strengthen and I am very pleased to be able to announce that in May 2018 we were awarded the global Genesys AppFoundry Partner of the Year for PureCloud.

Many Genesys partners will buy eMite through Genesys but for those partners that want to add value and extend the eMite platfrom we want to have a direct relationship. In this last year we have signed a number of new direct partnerships including Datacom, Dimension Data and QPC in Australia, Convergeone, CPI.Solutions and AVDS in the US, Foehn, Advania and Wren Data in Europe and the UK. I am sure that these partners will extend eMite and take it into new markets as many of them have skills with Avaya or Cisco in the contact centre space.

I believe that we also have an opportunity to replicate our Telstra partnership with other telecommunications providers around the world.

We will also continue to extend the platform ourselves through technology partnerships with companies like Plantronics who we are working with to develop joint offerings to sell with the CX Intelligence solution.

In July 2018 we delivered our first partner enablement conference in Sydney with partners attending from Asia, Australia, New Zealand and the United States to learn how to deploy and extend the eMite platform. This training was a great success. We are already planning to run this event again in North America and Europe this year.

In the Cyber market we have also continued to expand our partnerships.

Our existing relationships with IBM, ATOS, Secureworks and NTT continue to deliver results and an increasing percentage of our SNARE revenue is generated through partnerhships. The Managed Security Sevice Provider (MSSP) market is also becoming critial as cyber security professionals become increasingly difficult to find and increasingly more expensive to hire as a result of a global skills shortage, currently estimated to be around 3.5M roles that remain unfilled globally due to a lack of skills.

This last year we added Verizon, Virtual Armour and CarbonHelix to our SNARE channel. We continue to look for and add new partnerhsips across all of our sales regions in APAC, North America and EMEA.

**Market focus**

As outlined last year, three of the leading drivers of IT spend are Cloud Computing, Big Data/Analytics and IT/Cyber Security. With our focus on Snare and eMite we work in all these segments and we have a global footprint via both our direct sales force and through our partners.

eMite's focus is delivering big data and analytics capability to our customers to optimise the management of the contact centre environments.

We have expanded this platform approach to become a true CX (Customer Experience) Intelligence platform by allowing customers to collect data from multiple systems including the contact centre, service desk, CRM, Net Promoter/Survey Systems, head phone data from partners like Plantronics and many others into a single real time management platform that

# Message from the CEO
## For the Year Ended 30 June 2018

delivers true actionable insight for manging customer interactions with business.
These solutions work across verticals from SMB to Tier 1 Corporate and Government. Our smallest customers have as few as 5 agents and our largest have many thousands of agents.

The cloud based contact centre market is a USD$6.8B market and is growing at a CAGR of 25.2%*

The Cyber market continues to boom due to a combination of the following factors:

- Increased number and severity of cyber threats
- Increased cost of data breaches both direct and reputational
- Increased regulation and compliance including GDPR, Mandatory data breach notification legislation, new privacy regulations
- Global Cyber skills shortages
- Growing complexity of customer IT environments including cloud and hybrid networks, Internet of Things (IOT) and mobility

Snare agent technology delivers IT Security and Log Management capability in the SIEM market globally in a number of key verticals and market segments.

Most notable for SNARE are:

- Government, Defence and Military
- Banking & Finance
- Utilities and power
- Retail
- Health

SNARE and the new SNARE capabilty is a Cyber detection platform and a next generation SIEM technology. Security Information and Event Management or SIEM is a term for software and services that combine security information management (SIM) tools, which are geared towards log collection and report generation, with security event management (SEM) tools, which focus on real-time event analytics, correlation, and alerting. SIEM solutions are complex systems that help organisations decrease the impact of advanced cyber attacks by proactively monitoring the network for irregular activity in real-time.

SNARE takes SIEM beyond this by integrating and correlating data from multiple security related sources both cloud and on premise including AWS, Azure, Office365 and others.

The global SIEM market is approximately a USD$2.2B per annum market and is reported at growing between 8% and 12% per annum.

This year we have also become active with AustCyber (The Australian Cyber Security Growth Network) which supports the development of a vibrant and globally competitive Australian cyber security industry that enhances Australia's future economic growth and helps protect Australia's interests online. We have attended a number of events, trade delegations and have taken part in a number of industry workshops.

**Scope of Operations**

Prophecy currently operates globally both with direct staff and through our partners. Our major sites around the globe are in Australia, both Sydney and Adelaide, Manilla in the Philippines, Denver in the USA and London in the United Kingdom.

We have customers on every continent.

As a small Australian company trading globally we continue to be extremely proud that more than 70% of our revenues are generated offshore and we are an exporter of Australian Innovation.

# Message from the CEO
## For the Year Ended 30 June 2018

**Summary**

This year we have taken a number of steps in our journey to become a globally significant software company based in Australia. We are aiming high. We have a solid growth plan and we are executing that plan.

We operate in vibrant and growing but competitve and fast moving markets. We are continually challenged by global giants or by new market entrants with new ideas – many of them extremely well funded.

The pressure is on for us to not just respond but to lead.

We continue to build our team of commited individuals that want to lead the market, build something great and show the world that we have some of the best technology available. I would like to thank al lout team for the tremendous effort over the last year. We have a solid foundation now to enable us to grow and the right people on board to make this happen.

Our goal is to help our customers stay safe from Cyber threats and to deliver excellent experiences to their customers.

In doing this we know that we will grow and as a result will deliver value for our shareholders.

I would like to thank our investors for their continued support.

**Brad Thomas OAM**
Chief Executive Officer

Source * researchandmarkets.com

.

# Directors' Report
## For the Year Ended 30 June 2018

The directors present their report, together with the financial statements of the Group, being Prophecy International Holdings Limited and Controlled Entities (the Company) and its controlled entities, for the financial year ended 30 June 2018.

### 1. General information

#### Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

| | |
|---|---|
| Ed Reynolds | |
| Qualifications | Bachelor of Science |
| Experience | Ed was appointed Non-executive Chairman on 8 December 2006. He has held various positions within the IT industry, which has given him wide-ranging and extensive experience.<br>Ed joined Prophecy as general manager in 1987 and contributed to the company in various roles, including CEO. In his current Non-executive role, Ed is passionate about ensuring the company achieves its targets and is on track to deliver future success |
| Interest in shares and options | 7,700,000 ordinary shares in Prophecy International Holdings Limited and no options |
| Special responsibilities | Chairman of the Board of Directors<br>Chair of the Strategy Committee<br>Member of the Remuneration Committee<br>Member of the Audit Committee |
| Other current directorships in listed entities now and in the previous 3 years | None |

| | |
|---|---|
| Grant R Miles | |
| Qualifications | Bachelor of Arts in Accountancy<br>Chartered Accountant – Fellow (FCA) |
| Experience | Grant is the Managing Partner of Moore Stephens (SA) Pty Ltd formerly Hayes Knight (SA) Pty Ltd.<br>Grant was appointed Company Secretary of Prophecy in May 2013 and a Director in May 2015. Grant has over 25 years' experience in Finance and Accounting matters and provides the Prophecy Board with strong skills in this area |
| Interest in shares and options | 150,000 ordinary shares in Prophecy International Holdings Limited and no options |
| Special responsibilities | Chief Financial Officer<br>Chair of the Audit Committee<br>Chair of the Remuneration Committee |
| Other current directorships in listed entities now and in the previous 3 years | None |

# Directors' Report
## For the Year Ended 30 June 2018

**1. General information continued**

**Information on directors continued**

| | |
|---|---|
| Leanne Challans | |
| Qualifications | Bachelor of Science |
| Experience | Leanne joined Prophecy in 1990, with a strong background in software design and development. Her initial role was Product Development Manager for the flagship Prophecy Classic product. The growing partner network for classic opened up new opportunities, so Leanne took on responsibility for Partner Support and Marketing through the mid 1990's. Leanne returned to her strengths in software development in 2000, heading up the successful Emergency Services Levy project, and then managing the development and support of the e-Foundation product suite. She then moved into the role of General Manager, Software & Services, with responsibility for the ongoing development, support and consulting services relating to all of Prophecy International's product lines. Leanne joined the Board of Directors in December 2006, and was appointed Managing Director in July 2007. The acquisition of Intersect Alliance International in August 2011 saw Leanne take on responsibility for the inclusion of this new company into the Prophecy culture, with a focus on growth in this important new part of the group. |
| Interest in shares and options | 774,880 ordinary shares in Prophecy International Holdings Limited and no options |
| Special responsibilities | Managing Director (Retired 14 July 2017)<br>Member of the Audit Committee |
| Other current directorships in listed entities now and in the previous 3 years | None |

| | |
|---|---|
| Matthew Michalewicz | |
| Qualifications | Bachelor of Science |
| Experience | Matthew is an international expert in entrepreneurship, innovation, and success psychology. He has a 20-year track record of starting, growing, and exiting high growth businesses in the United States and Australia. His last venture, SolveIT Software, grew to become Australia's 3rd fastest growing company before being acquired by Schneider Electric in 2012. In addition to being the author of several books – including Life in Half a Second, Winning Credibility, Adaptive Business Intelligence, and Puzzle-based Learning – Matthew is also a Visiting Fellow at the University of Adelaide where he lectures on the subject of technology commercialisation, and a Limited Partner in Blackbird Ventures, an Australian early-stage venture capital fund |
| Interest in shares and options | 100,000 ordinary shares in Prophecy International Holdings Limited and no options |
| Special responsibilities | Member of the Strategy Committee |
| Other current directorships in listed entities now and in the previous 3 years | COMOPS Limited<br>LBT Innovations Limited |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### 1. General information continued

#### Principal activities and significant changes in nature of activities

The principal activities of the Group during the financial year were the design, development and marketing of computer software applications and services aimed at the worldwide corporate marketplace.

There were no significant changes in the nature of the Group's principal activities during the financial year.

### 2. Operating results and review of operations for the year

#### Operating results

The consolidated loss before tax from continuing operations of the Group amounted to $841,060 down 38% on the 30 June 2017 result.

The consolidated loss from continuing and discontinued operations of the Group amounted to $791,386, after providing for income tax, this represented a 140% decrease on the results reported for the year ended 30 June 2017.

#### Review of operations

A review of the operations of the Group during the financial year and the results of those operations is set out in the section headed "Message from the CEO" in this report.

### 3. Other items

#### Significant changes in state of affairs

On 25 May 2017 the group sold the basis2 product, a part of the Legacy division, details can be found in Note 5 Discontinued Operations of the Financial Statements.

The Group disposed of the company Promadis Pty Ltd on 1 July 2017.

#### Dividends paid or recommended

No dividends declared.

#### Events after the end of the reporting period

Other than matters disclosed in this report, no matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations the state of affairs of the Group in future financial years.

### 3. Other items continued

**Future developments and results**

Comments on the company's future direction are included in the "Message from the CEO".

**Environmental issues**

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia

**Company secretary**

The following person held the position of Company secretary at the end of the financial year:

Grant R Miles has been the company secretary since 21 March 2013. Grant R Miles is the Managing Partner of Moore Stephens (SA) Pty Ltd.

**Meetings of directors**

During the financial year, 24 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

| | Directors' Meetings | | Audit Committee | | Remuneration Committee | | Strategy Committee | |
|---|---|---|---|---|---|---|---|---|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Ed Reynolds | 12 | 12 | 2 | 2 | 10 | 10 | - | - |
| Leanne R Challans | 12 | 12 | 2 | 2 | - | - | - | - |
| Matthew T Michalewicz | 12 | 12 | - | - | - | - | - | - |
| Grant R Miles | 12 | 12 | 2 | 2 | 10 | 10 | - | - |

**Unissued shares under option**

There are no unissued ordinary shares of Prophecy International Holdings Limited under option at the date of this report.

**Shares issued during or since the end of the year as a result of exercise**

There were no shares issued during or since the end of the year as a result of exercise.

**Indemnification and insurance of officers and auditors**

In the financial year, the company has paid premiums of $69,096 in respect of a contract of insurance for all the Directors and Officers of Prophecy International Holdings Limited and its controlled entities against any liability incurred in their roles as Directors or Officers of the company or its controlled entities, except where:

- the liability arises out of conduct involving a wilful breach of duty; or
- there has been a contravention of Section 199(C) of the Corporations Act 2001.

### 3. Other items continued

**Non-audit services**

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2018:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Taxation services | **29,300** | 28,300 |

**Remuneration report (audited)**

**Remuneration policy**

The remuneration policy of Prophecy International Holdings Limited and Controlled Entities has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Prophecy International Holdings Limited and Controlled Entities believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the directors and other senior executives, was developed by the Remuneration Committee and approved by the Board.
- All executives receive a base salary (which is based on factors such as responsibilities and experience), superannuation, fringe benefits, options and performance incentives. The Remuneration Committee reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value.
- All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

### 3. Other items continued

**Remuneration report (audited) continued**

- Executives are also entitled to participate in the employee share and option arrangements.
- The non-executive directors receive superannuation contributions but do not receive any other retirement benefits. Australian based executives receive both superannuation contributions and long service leave benefits.
- All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares issued to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are values using a Black-Scholes methodology.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the company option plans.

As approved by the shareholders at the 2015 Annual General Meeting, the maximum amounts payable to directors is $400,000. This compares with an actual charge of $307,427 in the 2017/18 year.

Key management personnel receive a superannuation guarantee contribution required by the law, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

**Key Management Personnel**

Key management personnel are as follows:

| **Directors** | |
|---|---|
| Edwin Reynolds (Appointed 4 September 1997) | Non-executive Chairman |
| Leanne R Challans (Appointed 8 December 2006) | Non-executive Director |
| Matthew T Michalewicz (Appointed 15 May 2014) | Non-executive Director |
| Grant R Miles (Appointed 1 May 2015) | Non-executive Director |

| **Executives** | |
|---|---|
| Brad Thomas (Appointed 26 September 2016) | CEO – Prophecy Group |
| Peter Barzen (Appointed 1 September 1999) | EVP Sales and Alliances |
| Stuart Geros (Appointed 1 July 2015) | CPO – Prophecy Group |
| Steve Challans (Appointed 1 July 2017) | CISO – Prophecy Group |
| Christine Bishop (Appointed 1 August 2017) | CMO – Prophecy Group |

There have been no changes to Key Management Personnel after the reporting date and before the date the financial accounts were authorised for issue.

**Relationship between remuneration policy and company performance**

As part of each executive's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over, and are mainly related to increases in profit and revenue. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial short-term goals. The level set for each KPI is based on budgeted figures for the Group.

### 3. Other items continued

**Remuneration report (audited) continued**

**Relationship between remuneration policy and company performance continued**

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the level of achievement against KPIs. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

The satisfaction of the performance conditions are based on a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility.

The following table shows the gross revenue, profits and dividends for the last five years for the Company, as well as the share prices at the end of the respective financial years.

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Revenue from continuing operations | 10,676,203 | 9,188,005 | 12,333,897 | 9,956,360 | 7,078,458 |
| Profit/(Loss) from continuing operations before tax | (841,060) | (610,585) | 3,386,410 | 3,447,811 | 1,317,678 |
| Profit from continuing and discontinued operations | (791,386) | 1,955,795 | 2,416,038 | 2,378,480 | 906,848 |
| Share Price at Year-end | 0.43 | 0.51 | 1.15 | 1.25 | 0.43 |
| Dividends Paid (cents) | 0.00 | 2.0 | 4.20 | 2.75 | 3.50 |

**Performance conditions linked to remuneration**

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to directors and executives to encourage the alignment of personal and shareholder interests.

The company believes that the factors affecting shareholder wealth are linked to the company's trading conditions. The company experienced difficult trading conditions last year due to the global economic crisis.

The board feels that the company has consolidated the move towards increasing shareholder wealth, and that the executive and director remuneration policies in place will help facilitate achievement of this goal.

**Employment details of members of key management personnel**

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group. The table also illustrates the proportion of remuneration that was performance based and the proportion of remuneration received in the form of options.

| | | Performance based remuneration | | |
|---|---|---|---|---|
| | | Bonus | Shares | Options / rights |
| | | % | % | % |
| **Director** | | | | |
| Leanne Challans | Managing Director (Retired 14 July 2017) | 4% | - | - |
| **KMP** | | | | |
| Brad Thomas | CEO – Prophecy Group | - | - | - |
| Peter Barzen | EVP Sales and Alliances | 40% | - | - |
| Stuart Geros | CPO – Prophecy Group | - | - | - |
| Steve Challans | CISO – Prophecy Group | 10% | - | - |
| Christine Bishop | CMO – Prophecy Group | - | - | - |

### 3. Other items continued

**Remuneration report (audited) continued**

**Service Agreements**

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

The remuneration and other terms of employment for the Chief Executive Officer and senior executives are set out in formal service agreements as summarised below:

- All service agreements are for an unlimited duration. The agreements for executives may be terminated by giving four weeks' notice (except in cases of termination for cause where termination is immediate).
- In cases of resignation, no separation payment is made to the executive, except for amounts due and payable up to the date of ceasing employment, including accrued leave entitlements.

**Remuneration Consultants**

There have been no remuneration consultants used in the period.

**Changes in KMP (other than directors)**

Steve Challans the CISO of the Prophecy Group has been added to the KMP from 1 July 2017.
Christine Bishop the CMO of the Prophecy Group has been added to the KMP from 1 August 2017.

**Remuneration details for the year ended 30 June 2018**

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group.

**Table of benefits and payments**

| | Short Term | | | | Post Employment | Total |
|---|---|---|---|---|---|---|
| | cash salary fees | bonus | consulting fees | health care & allowances | pension and superannuation | |
| **2018** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Directors** | | | | | | |
| Ed Reynolds | **39,000** | **-** | **77,453** | **-** | **3,705** | **120,158** |
| Leanne Challans | **216,983** | **10,398** | **-** | **-** | **8,062** | **235,443** |
| Matthew Michalewicz | **70,000** | **-** | **-** | **-** | **-** | **70,000** |
| Grant R Miles | **70,000** | **-** | **-** | **-** | **-** | **70,000** |
| **KMP** | | | | | | |
| Brad Thomas | **272,500** | **741** | **-** | **-** | **25,000** | **298,241** |
| Peter Barzen | **183,480** | **181,308** | **-** | **36,645** | **48,039** | **449,472** |
| Stuart Geros | **250,005** | **-** | **-** | **-** | **23,750** | **273,755** |
| Steve Challans (Appointed 1 July 2017) | **156,500** | **20,315** | **-** | **-** | **16,797** | **193,612** |
| Christine Bishop (Appointed 1 August 2017) | **183,333** | **-** | **-** | **-** | **17,417** | **200,750** |
| | **1,441,801** | **212,762** | **77,453** | **36,645** | **142,770** | **1,911,431** |

The remuneration detailed above for Ed Reynolds includes director's fees of $100,000 and consulting fees of $16,453 (2017 – director's fees $100,000 and consulting fees $70,271) of which $77,453 was paid to Reyer Investments Pty Limited, a company in which Ed Reynolds is a director and shareholder.

Grant R Miles director's fees are paid to Moore Stephens (SA) Pty Ltd formerly Hayes Knight (SA) Pty Ltd, a company directed by Grant R Miles.

# Directors' Report
## For the Year Ended 30 June 2018

### 3. Other items continued

**Remuneration report (audited) continued**

**Remuneration details for the year ended 30 June 2018 continued**

The cash salary fees detailed above for Leanne Challans include director's fees of $67,427, normal hours worked of $7,037 and $142,519 for annual and long service leave due on retirement as Managing Director. Short term bonus for Leanne Challans relates to profit share allowance, in accordance with an incentive plan approved on 13th February 2012. The purpose of the incentive is to increase profits and so improve shareholder wealth.

Short term bonus for Brad Thomas relates to commission payments on licence fee revenue from sales of products to customers before his appointment as CEO.

Short term bonus for Peter Barzen relates to commission payments on licence fee revenue from sales of products to customers, in accordance with an incentive plan approved on 18th April 2013. The purpose of the incentive is to increase licence fee revenues and so improve shareholder wealth.

Short term bonus for Steve Challans relates to commission payments on licence fee revenue from sales of products to customers, in accordance with an incentive plan approved on 1st January 2015. The purpose of the incentive is to increase licence fee revenues and so improve shareholder wealth.

| | Short Term | | | | Post Employment | Total |
|---|---|---|---|---|---|---|
| | cash salary fees | bonus | consulting fees | health care & allowances | pension and superannuation | |
| **2017** | $ | $ | $ | $ | $ | $ |
| **Directors** | | | | | | |
| Ed Reynolds | 39,000 | - | 131,271 | - | 3,705 | 173,976 |
| Leanne Challans | 182,588 | 7,377 | - | - | 18,047 | 208,012 |
| Matthew Michalewicz | 70,000 | - | - | - | - | 70,000 |
| Grant R Miles | 70,000 | - | - | - | - | 70,000 |
| **KMP** | | | | | | |
| Brad Thomas (Appointed 26 September 2016) | 161,140 | 4,686 | - | - | 15,753 | 181,579 |
| Peter Barzen | 177,082 | 186,942 | - | 32,801 | 45,554 | 442,379 |
| Stuart Geros | 250,005 | - | - | - | 23,750 | 273,755 |
| | 949,815 | 199,005 | 131,271 | 32,801 | 106,809 | 1,419,701 |

**Securities received that are not performance related**

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

**Voting and comments made at the Company's last Annual General Meeting**

Prophecy International Holdings Limited received more than 90% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2017. The company received no specific feedback on its Remuneration Report at the Annual General Meeting.

**Key management personnel options and rights holdings**

There are currently no options or rights held by any Directors or key management personnel.

### 3. Other items continued

#### Remuneration report (audited) continued

#### Key management personnel shareholdings

The number of ordinary shares in Prophecy International Holdings Limited and Controlled Entities held by each key management person of the Group during the financial year is as follows:

| | Balance at beginning of year | On exercise of options | Acquisitions | Disposals | Other Changes | Balance at end of year |
|---|---|---|---|---|---|---|
| **30 June 2018** | | | | | | |
| Ed Reynolds | **7,640,000** | - | 60,000 | - | - | **7,700,000** |
| ***Leanne R Challans** | **774,880** | - | - | - | - | **774,880** |
| Matthew T Michalewicz | **-** | - | 100,000 | - | - | **100,000** |
| Grant R Miles | **150,000** | - | - | - | - | **150,000** |
| **Other KMP** | | | | | | |
| Brad Thomas | **59,081** | - | 27,600 | - | - | **86,681** |
| Peter Barzen | **13,773** | - | 586,227 | - | - | **600,000** |
| Stuart Geros | **1,878,177** | - | - | - | - | **1,878,177** |
| ***Steve Challans** | **774,880** | - | - | - | - | **774,880** |
| Christine Bishop | **-** | - | 100,000 | - | - | **100,000** |
| | **11,290,791** | **-** | **873,827** | **-** | **-** | **12,164,618** |

***Shares jointly held by Leanne R Challans and Steve Challans**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Moore Stephens (SA) Pty Ltd, a company directed by Grant Miles, provided Accounting services to the Group of $27,515 (2017: $28,864).

PYC Inc a company Peter Barzen is a partner in, has a profit share agreement with Snare Alliance who received royalties during the 2017/2018 year of $141,002.

ITVIZZ Pte Ltd a company directed by Stuart Geros provided IT consulting services to eMite Pty Ltd of $107,956 which are yet to be paid.

***End of Remuneration Report***

#### Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

# Directors' Report
## For the Year Ended 30 June 2018

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2018 has been received and can be found on page 21 of the financial report.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

| | |
|---|---|
| Ed Reynolds | Leanne Challans |
| **Chairman** | **Director** |

Dated this 27th day of September, 2018

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

# Auditor's Independence Declaration

## To the Directors of Prophecy International Holdings Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Prophecy International Holdings Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner – Audit & Assurance

Adelaide, 27 September 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the Year Ended 30 June 2018

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| Revenue | 2 | **10,676,203** | 9,188,005 |
| Other income | | **90,481** | 20,013 |
| Employee benefits expense | | **(6,853,557)** | (6,028,419) |
| Depreciation and amortisation | 3 | **(1,353,457)** | (1,218,425) |
| Other expenses | 3 | **(3,395,871)** | (2,567,591) |
| Finance costs | | **(4,859)** | (4,168) |
| **Profit/(Loss) before income tax** | | **(841,060)** | (610,585) |
| Income tax expense | 4 | **47,223** | 389,449 |
| **Profit/(Loss) from continuing operations** | | **(793,837)** | (221,136) |
| Profit from discontinued operations | 5 | **2,451** | 2,176,895 |
| **Profit/(Loss) for the year** | | **(791,386)** | 1,955,759 |
| **Other comprehensive income, net of income tax** | | | |
| **Items that will be reclassified to profit or loss when specific conditions are met** | | | |
| Exchange differences on translating foreign controlled entities | | **(33,448)** | (4,493) |
| **Other comprehensive income for the year, net of tax** | | **(33,448)** | (4,493) |
| **Total comprehensive income/(loss) for the year** | | **(824,834)** | 1,951,266 |
| Profit/(Loss) attributable to: | | | |
| Members of the parent entity | | **(730,194)** | 1,975,519 |
| Non-controlling interest | | **(61,192)** | (19,760) |
| | | **(791,386)** | 1,955,759 |
| Total comprehensive income attributable to: | | | |
| Members of the parent entity | | **(763,642)** | 1,971,026 |
| Non-controlling interest | | **(61,192)** | (19,760) |
| | | **(824,834)** | 1,951,266 |
| **Earnings/(Loss) per share** | | | |
| From continuing and discontinued operations: | | | |
| Basic earnings per share (cents) | | **(1.14)** | 3.09 |
| Diluted earnings per share (cents) | | **(1.14)** | 3.09 |
| From continuing operations: | | | |
| Basic earnings per share (cents) | 10 | **(1.14)** | (0.31) |
| Diluted earnings per share (cents) | 10 | **(1.14)** | (0.31) |
| From discontinued operations: | | | |
| Basic earnings per share (cents) | | **0.00** | 3.40 |
| Diluted earnings per share (cents) | | **0.00** | 3.40 |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position
## As At 30 June 2018

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 11 | **2,599,684** | 3,316,579 |
| Trade and other receivables | 12 | **2,745,098** | 1,899,750 |
| Current tax assets | 27 | **347,132** | - |
| Work in progress | 13 | **9,000** | 30,300 |
| Other assets | 17 | **325,040** | 125,498 |
| Non-current assets held for sale | 6 | **-** | 121,625 |
| TOTAL CURRENT ASSETS | | **6,025,954** | 5,493,752 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 12 | **7,617** | 7,320 |
| Property, plant and equipment | 15 | **242,198** | 265,976 |
| Deferred tax assets | 27 | **421,386** | 316,444 |
| Intangible assets | 16 | **16,734,346** | 17,284,972 |
| TOTAL NON-CURRENT ASSETS | | **17,405,547** | 17,874,712 |
| TOTAL ASSETS | | **23,431,501** | 23,368,464 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 18 | **1,068,306** | 891,643 |
| Current tax liabilities | 27 | **-** | 129,717 |
| Employee benefits | 20 | **696,760** | 757,113 |
| Deferred Income | 19 | **3,552,711** | 2,723,042 |
| Liabilities directly associated with Non-current assets classified as held for sale | 6 | **-** | 125,001 |
| TOTAL CURRENT LIABILITIES | | **5,317,777** | 4,626,516 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 27 | **669,717** | 496,615 |
| Employee benefits | 20 | **119,338** | 95,830 |
| TOTAL NON-CURRENT LIABILITIES | | **789,055** | 592,445 |
| TOTAL LIABILITIES | | **6,106,832** | 5,218,961 |
| NET ASSETS | | **17,324,669** | 18,149,503 |
| **EQUITY** | | | |
| Issued capital | 21 | **28,469,564** | 28,469,564 |
| Reserves | | **(262,667)** | (229,219) |
| Retained earnings/(Accumulated losses) | | **(10,596,037)** | (9,865,843) |
| **Total equity attributable to equity holders of the Company** | | **17,610,860** | 18,374,502 |
| Non-controlling interest | | **(286,191)** | (224,999) |
| TOTAL EQUITY | | **17,324,669** | 18,149,503 |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity
## For the Year Ended 30 June 2018

**2018**

| | Ordinary Shares | Accumulated Losses | Foreign Currency Translation Reserve | Option Reserve | Non-controlling Interests | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Balance at 1 July 2017** | **28,469,564** | **(9,865,843)** | **(354,044)** | **124,825** | **(224,999)** | **18,149,503** |
| Loss attributable to members of the parent entity | **-** | **(730,194)** | **-** | **-** | **-** | **(730,194)** |
| Loss attributable to non-controlling interests | **-** | **-** | **-** | **-** | **(61,192)** | **(61,192)** |
| Total other comprehensive income for the year | **-** | **-** | **(33,448)** | **-** | **-** | **(33,448)** |
| **Transactions with owners in their capacity as owners** | | | | | | |
| Dividends paid or provided for | **-** | **-** | **-** | **-** | **-** | **-** |
| **Balance at 30 June 2018** | **28,469,564** | **(10,596,037)** | **(387,492)** | **124,825** | **(286,191)** | **17,324,669** |

**2017**

| | Ordinary Shares | Accumulated Losses | Foreign Currency Translation Reserve | Option Reserve | Non-controlling Interests | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Balance at 1 July 2016** | 28,469,564 | (10,561,166) | (349,551) | 124,825 | (205,239) | 17,478,433 |
| Profit attributable to members of the parent entity | - | 1,975,519 | - | - | - | 1,975,519 |
| Loss attributable to non-controlling interests | - | - | - | - | (19,760) | (19,760) |
| Total other comprehensive income for the year | - | - | (4,493) | - | - | (4,493) |
| **Transactions with owners in their capacity as owners** | | | | | | |
| Dividends paid or provided for | - | (1,280,196) | - | - | - | (1,280,196) |
| **Balance at 30 June 2017** | 28,469,564 | (9,865,843) | (354,044) | 124,825 | (224,999) | 18,149,503 |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows
## For the Year Ended 30 June 2018

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | **10,759,775** | 12,577,105 |
| Payments to suppliers and employees | | **(10,352,469)** | (9,976,909) |
| Interest received | | **7,409** | 5,991 |
| Income taxes (paid) | | **(366,339)** | (785,471) |
| Net cash provided by operating activities | 24 | **48,376** | 1,820,716 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Proceeds from sale of plant and equipment | | **-** | 1,934 |
| Purchase of property, plant and equipment | | **(74,216)** | (62,600) |
| Development expenditure | | **(703,120)** | (733,095) |
| Proceeds from sale of discontinued operations | | **-** | 1,835,095 |
| Cash disposed of through sale of Promadis | | **(24,249)** | - |
| Net cash provided/(used) by investing activities | | **(801,585)** | 1,041,334 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Dividends paid by parent entity | | **-** | (1,280,196) |
| Net cash used by financing activities | | **-** | (1,280,196) |
| Effects of foreign exchange rates on overseas cash holdings | | **12,065** | (110,166) |
| Net increase/(decrease) in cash and cash equivalents held | | **(741,144)** | 1,471,688 |
| Cash and cash equivalents at beginning of year | | **3,340,828** | 1,869,140 |
| Cash and cash equivalents at end of financial year | 11 | **2,599,684** | 3,340,828 |

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## For the Year Ended 30 June 2018

This financial report covers the consolidated financial statements and notes of Prophecy International Holdings Limited and Controlled Entities(the 'group'). Prophecy International Holdings Limited and Controlled Entities is a for profit Company domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

### 1 Summary of Significant Accounting Policies

#### (a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### (b) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 14 to the financial statements.

*Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

### 1 Summary of Significant Accounting Policies continued

#### (c) Business Combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

#### (d) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- 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 accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

### 1 Summary of Significant Accounting Policies continued

#### (d) Income Tax continued

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

The Company and its wholly-owned Australian controlled entities have formed a tax-consolidated group under the legislation and as a consequence these entities are taxed as a single entity.

#### (e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

**Depreciation**

Property, plant and equipment, is depreciated on a reducing balance basis over the assets useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

| Fixed asset Class | Depreciation rate |
|---|---|
| Plant and Equipment | 10% - 40% |
| Furniture, Fixture & Fittings | 1.8% - 30% |

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

#### (f) Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Assets classified as held for sale are not amortised or depreciated.

Non-current assets classified as held for sale and any associated liabilities are presented separately in the consolidated statement of financial position.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash-generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

### 1 Summary of Significant Accounting Policies continued

#### (f) Non-current assets held for sale and discontinued operations continued

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

#### (g) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

#### (h) Financial Instruments

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

(d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

### 1 Summary of Significant Accounting Policies continued

#### (h) Financial Instruments continued

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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

Financial assets are classified at ‘fair value through profit or loss’ when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

***(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 and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

***(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 be realised within 12 months after the end of the reporting period, which will be 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 for those which are expected to be sold within 12 months after the end of the reporting period.

### 1 Summary of Significant Accounting Policies continued

#### (h) Financial Instruments continued

***(v)*** *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All of the Group‘s derivative financial instruments that are not designated as hedging instruments in accordance with the strict conditions explained in AASB 139 are accounted for at fair value through profit or loss.

**Impairment**

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**1 Summary of Significant Accounting Policies continued**

**(h) Financial Instruments continued**

**Financial guarantees**

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting during the next reporting period;

– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and

– the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised in accordance with AASB 118.

**(i) Impairment of Non-financial Assets**

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

**1 Summary of Significant Accounting Policies continued**

**(j) Intangible Assets**

**Goodwill**

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

i) the consideration transferred;

ii) any non-controlling interest; and

iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

**Patents and trademarks**

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life which is estimated to be 7 year or 15 years, depending on the product.

**Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the projects which are between 5 years.

**Impairment**

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

### 1 Summary of Significant Accounting Policies continued

#### (j) Intangible Assets continued

**Impairment continued**

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

#### (k) Foreign Currency Transactions and Balances

**Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**Transaction and balances**

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

### 1 Summary of Significant Accounting Policies continued

#### (k) Foreign Currency Transactions and Balances continued

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

#### (l) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

**Defined contribution schemes**

All employees of the Group other than those that receive defined benefit entitlements receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee’s average ordinary salary) to the employee’s superannuation fund of choice. All contributions in respect of employees’ defined contribution entitlements are recognised as an expense when they become payable. The Group’s obligation with respect to employees’ defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group’s statement of financial position.

**Termination benefits**

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

### 1 Summary of Significant Accounting Policies continued

#### (m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period.

#### (n) Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### (o) Revenue and Other Income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

**Sale of Goods**

Sales of the consolidated group's products are structured around initial licence fees plus annual licence fees. Initial licence fees together with time and materials consulting services contracts are recognised as income in the year of invoicing. A percentage of annual licence fees is recognised as income in the year of invoicing, the balance covers forward maintenance and support commitments and is brought to account on a pro-rata basis.

**Rendering of Services**

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

For fixed price consulting service contracts, revenue is recognised on a stage of completion basis and measured using the proportion of actual hours spent on a contract compared to the total expected hours to complete the contract.

The recoverable amount of trade receivables is reviewed on an ongoing basis. Where there is reasonable doubt that the full amount of a trade receivable will not be recovered, a provision for impairment is recognised.

**Interest Revenue**

Interest is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax (GST).

### 1 Summary of Significant Accounting Policies continued

#### (p) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(h) for further discussion on the determination of impairment losses.

#### (q) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

#### (r) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### (s) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the consolidated statement of cash flows are included 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 is classified as operating cash flows.

#### (t) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening consolidated statement of financial position at the earliest date of the comparative period has been presented.

#### (u) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

### 1 Summary of Significant Accounting Policies continued

#### (u) Critical Accounting Estimates and Judgments continued

**Key estimates - impairment of tax losses**

Deferred tax assets include amounts related to unused tax losses. At each balance date the directors review the likelihood that the Group be able to generate sufficient future taxable profits to utilise these tax losses, and adjusts deferred tax assets accordingly. Further information regarding the conditions under which these tax losses may be utilised can be found in Note 27.

**Key estimates - impairment of goodwill**

Included in non-current intangible assets of the Group is Goodwill. At each balance date the directors review whether Goodwill has suffered any impairment in accordance with the accounting policy stated in Note 1(j).

**Key judgments - provision for impairment of receivables**

The value of the provision for impairment of receivables is estimated by considering the ageing of receivables, communication with the debtors and prior history.

#### (v) New Accounting Standards issued but not yet effective and not been adopted early by the Group

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Group where the standard is relevant:

| | |
|---|---|
| Pronouncement | Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017 – 4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments |
| Nature of the Change in Accounting Policy | Interpretation 23 applies to income taxes within the scope of AASB 112 only, which are those based on profits, such as, company tax. Taxes that are not based on profits (for example GST or mining royalties) are outside the scope of this Interpretation. Interpretation 23 should be applied consistently to the recognition of both current and deferred taxes. Interpretation 23 clarifies how to apply the recognition and measurement requirements in AASB 112 where there is uncertainty over the appropriate income tax treatment of a transaction or class of transactions, and about whether a treatment will be accepted by a tax authority. |
| Effective Date | Annual reporting periods beginning on or after 1 January 2019 |
| Expected Impact on the Financial Statements | The basis for recognising tax liabilities and associated disclosures may change based on the assessment of whether it is likely that the proposed tax treatment to be included in the entity's tax return would be accepted by the appropriate authority. |

**1 Summary of Significant Accounting Policies continued**

| | |
|---|---|
| Pronouncement | AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements Cycle 2015 – 2017 Cycle |
| Nature of the Change in Accounting Policy | This standard make the following amendments to existing standards:<br>AASB 3 – clarifies that an entity remeasures its previously held interest in a joint operation when it obtains control of the business<br>AASB 11 -clarifies that an entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business<br>AASB 112 – clarifies that an entity accounts for all income tax consequences of dividend payments according to where the entity originally recognised the past transactions or events that generated the distributable profits and<br>AASB 123 – clarifies that an entity treats any borrowing originally made to develop a qualifying asset as part of generally borrowings when the asset is ready for its intended use or sale. |
| Effective Date | Annual reporting periods beginning on or after 1 January 2019. |
| Expected Impact on the Financial Statements | No impact expected. |

| | |
|---|---|
| Pronouncement | AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments [AASB 1, AASB 128, AASB 140] |
| Nature of the Change in Accounting Policy | This standard makes the following amendments to existing standards:<br>AASB 1 - deletes some short-term exemptions for first-time adopters that were available only for reporting periods that have passed and to add exemptions arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration;<br>AASB 128 - clarify that: (i) a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, can measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture; and (ii) an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. This choice is available separately for each investment entity associate or joint venture; and<br>AASB 140 - reflects the principle that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property supported by evidence that a change in use has occurred. |
| Effective Date | Annual reporting periods beginning on or after 1 January 2018 |
| Expected Impact on the Financial Statements | No impact expected. |

### 1 Summary of Significant Accounting Policies continued

| | |
|---|---|
| Pronouncement | AASB 15 Revenue from contracts with customers<br>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15<br>AASB 2015–8 Amendments to Australian Accounting Standards – Effective date of AASB 15<br>AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15<br>AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for NFP entities<br>AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for NFP entities |
| Nature of the Change in Accounting Policy | AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element. AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. |
| Effective Date | Annual reporting periods beginning on or after 1 January 2018 |
| Expected Impact on the Financial Statements | The changes in revenue recognition requirements in AASB 15 is not likely to cause changes to the timing and amount of revenue recorded in the financial statements. No impact expected. |

| | |
|---|---|
| Pronouncement | AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation |
| Nature of the Change in Accounting Policy | This standard amends AASB 9 to permit entities to measure at amortised cost or fair value through other comprehensive income certain financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet the condition only a result of prepayment feature (subject to meeting other conditions, such as nature of the business model relevant to the financial asset).<br>Otherwise the financial asset would be measured at fair value through profit or loss. |
| Effective Date | Annual reporting periods beginning on or after 1 January 2019 |
| Expected Impact on the Financial Statements | No impact expected. |

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

### 1 Summary of Significant Accounting Policies continued

| | |
|---|---|
| Pronouncement | AASB 9 Financial Instruments<br>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)<br>AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures<br>AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments<br>AASB 2014-1 Amendments to Australian Accounting Standards<br>AASB 2014–7 Amendments to Australian Accounting Standards arising from AASB 9<br>AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 |
| Nature of the Change in Accounting Policy | Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.<br>Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.<br>AASB 9 includes a new approach to hedge accounting that is intended to more closely align hedge accounting with risk management activities undertaken by entities when hedging financial and non-financial risks. Some of the key changes from AASB 139 are as follows:<br>to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under AASB 139);<br>changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and<br>modification of the requirements for effectiveness testing (including removal of the 'bright-line' effectiveness test that offset for hedging must be in the range 80-125%).<br>Revised disclosures about an entity's hedge accounting have also been added to AASB 7 Financial Instruments: Disclosures.<br>Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:<br>the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or<br>full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument. |
| Effective Date | Annual reporting periods beginning on or after 1 January 2018 |
| Expected Impact on the Financial Statements | No impact expected. |

### 1 Summary of Significant Accounting Policies continued

| | |
|---|---|
| Pronouncement | Interpretation 22 Foreign Currency Transactions and Advance Consideration |
| Nature of the Change in Accounting Policy | This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency |
| Effective Date | Annual reporting periods beginning on or after 1 January 2018 |
| Expected Impact on the Financial Statements | This interpretation provides clarification in relation to advance consideration paid on the purchase of an asset and should be applied if an entity has this transaction. There is an option for prospective application and therefore unlikely to have any impact on previously report financial position or performance. |

| | |
|---|---|
| Pronouncement | AASB 16 Leases |
| Nature of the Change in Accounting Policy | AASB 16 will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet.<br>The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments.<br>A corresponding right to use asset will be recognised which will be amortised over the term of the lease.<br>Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges. |
| Effective Date | Annual reporting period beginning on or after 1 January 2019 |
| Expected Impact on the Financial Statements | Whilst the impact of AASB 16 has not yet been fully quantified, the entity currently has $415,250 worth of operating leases which we anticipate will be brought onto the statement of financial position through the recognition of a right to use asset and associated lease liability.<br>Interest and amortisation expense will increase and rental expense will decrease. |

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

### 2 Revenue and Other Income

| | 2018 $ | 2017 $ |
|---|---|---|
| **Revenue from continuing operations** | | |
| Sales revenue | | |
| - sale of goods | **8,940,777** | 7,491,660 |
| - provision of services | **1,728,017** | 1,690,354 |
| | **10,668,794** | 9,182,014 |
| Finance income | | |
| - interest received | **7,409** | 5,991 |
| **Total Revenue** | **10,676,203** | 9,188,005 |

#### (a) Sale of Licences

Revenue generated from the sale of goods represents revenue from the sale of computer software licences. It is not possible to develop a meaningful cost of sales figure attributable to this revenue and accordingly none has been disclosed.

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

### 3 Result for the Year

| | 2018 $ | 2017 $ |
|---|---|---|
| The result for the year includes the following specific expenses: | | |
| Salaries and wages | **4,940,001** | 4,334,122 |
| Commissions | **817,339** | 545,648 |
| Superannuation contributions | **415,836** | 328,159 |
| Payroll taxes | **326,849** | 272,830 |
| Depreciation and amortisation expense comprises: | | |
| - Depreciation - plant and equipment | **99,711** | 121,208 |
| - Amortisation - intellectual property | **902,858** | 902,858 |
| - Amortisation - development costs | **350,888** | 194,359 |
| Total impairment of receivables | **1,353,457** | 1,218,425 |
| **Other Expenses:** | | |
| Accounting fees | **145,772** | 128,621 |
| Consulting and professional fees | **1,420,026** | 1,145,309 |
| Filing fees | **68,701** | 91,391 |
| Insurance | **152,644** | 146,008 |
| Marketing | **206,533** | 239,170 |
| Rent expense | **321,983** | 278,841 |
| Communications expense including cloud services | **390,301** | 161,713 |
| Software including annual maintenance | **272,110** | 97,731 |
| Travel and accommodation | **313,309** | 217,784 |
| Other expenses | **104,492** | 61,023 |
| | **3,395,871** | 2,567,591 |

**Research and Development Expenses**

Research and Development costs of $36,924 are included in the total expenses for the Group and include salaries and wages and on-costs. Research and development costs for 2017 of $49,793 are included in the total expenses for the Group and include salaries and wages and on-costs.

Development costs for Intersect Alliance for 2018 of $703,120 (2017 of $733,095) have been capitalised and shown in the statement of financial position as an intangible asset.

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

### 4 Income Tax Expense

(a) The major components of tax expense (income) comprise:

| | 2018 $ | 2017 $ |
|---|---|---|
| Current tax expense | **(47,014)** | (156,624) |
| Foreign income tax withholding | **30,404** | 23,903 |
| Deferred tax expense | **68,161** | (7,654) |
| Change in tax rate | **-** | (17,028) |
| Adjustments for current tax of prior periods | **(98,774)** | (232,046) |
| **Total income tax expense** | **(47,223)** | (389,449) |

(b) Reconciliation of income tax to accounting profit/(loss):

| | 2018 $ | 2017 $ |
|---|---|---|
| Profit/(Loss) | **(841,060)** | (610,585) |
| Tax | **27.5%** | 30% |
| | **(231,292)** | (183,176) |
| Add: | | |
| Tax effect of: | | |
| - non-deductible depreciation and amortisation | **28,286** | 34,875 |
| - timing difference on disposal of subsidiary | **258,653** | - |
| - non-deductible expenses | **3,997** | 3,434 |
| | **59,644** | (144,867) |
| Less: | | |
| Tax effect of: | | |
| - over provision for income tax in prior year | **98,773** | 232,046 |
| - other | **8,094** | 12,536 |
| Income tax attributable to parent entity | **(47,223)** | (389,449) |
| Income tax expense | **(47,223)** | (389,449) |
| Weighted average effective tax rate | **6%** | 63% |

(c) Income tax relating to each component of other comprehensive income:

| | 2018 $ | 2017 $ |
|---|---|---|
| Timing differences on unrealised foreign exchange gains/(losses) | **50,959** | 48,896 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

### 5 Discontinued Operations

On 4 May 2017 the Group announced its decision to sell the basis2 product, thereby discontinuing its operations in the Legacy business segment.

The division was sold on 25 May 2017 and the product disposed of is reported in these consolidated financial statements as a discontinued operation.

The group also disposed of the company Promadis Pty Ltd on 1 July 2017, thereby discontinuing its operations in the Legacy business segment.

Financial information relating to the discontinued operations to the date of disposal is set out below.

The financial performance of the discontinued operation to the date of sale which is included in profit / (loss) from discontinued operations is as follows:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Revenue | **-** | 2,156,697 |
| Expenses | **-** | (1,622,573) |
| Profit before income tax | **-** | 534,124 |
| Profit attributable to members of the parent entity | **-** | 534,124 |
| Income tax expense | **-** | (164,671) |
| Total profit after tax attributable to the discontinued operation | **-** | 369,453 |
| | | |
| Gain on sale of the division before income tax | **3,125** | 2,506,702 |
| Income tax expense | **(674)** | (699,260) |
| Gain on sale of the division after income tax | **2,451** | 1,807,442 |
| | | |
| Total profit from discontinued operations | **2,451** | 2,176,895 |

The net cash flows of the discontinuing division which have been incorporated into the consolidated statement of cash flows are as follows:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Details of the sale** | | |
| Consideration received | **-** | 2,078,393 |
| Acquisition costs | **-** | (243,298) |
| Net proceeds from basis2 sale | **-** | 1,835,095 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |

### 6 Assets and liabilities held for sale

The group disposed of the company Promadis Pty Ltd on 1 July 2017. The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 June 2017.

| | 2018 $ | 2017 $ |
|---|---|---|
| Non-current assets held for sale | | |
| Property, plant and equipment | - | 496 |
| Trade and other receivables | - | 73,488 |
| Cash | - | 24,249 |
| Other assets | - | 23,392 |
| Total non-current assets held for sale | - | 121,625 |

The liabilities associated with non-current assets held for sale are:

| | 2018 $ | 2017 $ |
|---|---|---|
| Associated liabilities | | |
| Trade creditors | - | 230 |
| Employee benefits | - | 23,371 |
| Other liabilities | - | 101,400 |
| Total | - | 125,001 |

### 7 Key Management Personnel Disclosures

Key management personnel remuneration included within employee expenses for the year is shown below:

| | 2018 $ | 2017 $ |
|---|---|---|
| Short-term employee benefits | **1,768,661** | 1,312,892 |
| Post-employment benefits | **142,770** | 106,809 |
| | **1,911,431** | 1,419,701 |

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's Key Management Personnel for the year ended June 2018.

### 8 Remuneration of Auditors

| | 2018 $ | 2017 $ |
|---|---|---|
| Remuneration of the auditor of the parent entity, Grant Thornton, for: | | |
| - auditing or reviewing the financial statements | **92,732** | 81,800 |
| - taxation services | **29,300** | 28,300 |
| Remuneration of other auditors of subsidiaries for: | | |
| - auditing or reviewing the financial statements of subsidiaries | **10,419** | 10,082 |
| **Total** | **132,451** | 120,182 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |

**9 Dividends**

| | | |
|---|---|---|
| Total dividends per share declared and paid | **-** | 2.00 |
| No Final 2017 dividend paid (2016: 2.0 cents) | **-** | 1,280,196 |

No proposed final dividend for 2018 has been declared.

**Franking account**

| | | |
|---|---|---|
| The franking credits available for subsequent financial years at a tax rate of 27.5% | **111,024** | 209,818 |

The above available balance is based on the dividend franking account at year-end adjusted for:

(a) Franking credits that will arise from the payment of the current tax liabilities;
(b) Franking debits that will arise from the payment of dividends recognised as a liability at the year end;
(c) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The impact on the franking credit of the dividends proposed after the end of the reporting period is to reduce it by zero (2017: zero).

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

**10 Earnings per Share**

(a) Reconciliation of earnings to profit or loss from continuing operations

| | 2018 | 2017 |
|---|---|---|
| Loss after income tax | **(793,837)** | (221,136) |
| Non-controlling interest | **61,192** | 19,760 |
| **Loss after income tax attributable to the owners of Prophecy International Holdings Limited** | **(732,645)** | (201,376) |

(b) Reconciliation of earnings to profit or loss from discontinuing operations

| | 2018 | 2017 |
|---|---|---|
| Profit from discontinuing operations | **2,451** | 2,176,895 |
| Profit attributable to non-controlling equity interest | **-** | - |
| **Earnings used to calculated basic EPS from discontinuing operations** | **2,451** | 2,176,895 |

(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

| | No. | No. |
|---|---|---|
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | **64,009,784** | 64,009,784 |
| **Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS** | **64,009,784** | 64,009,784 |

| | | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| **11** | **Cash and Cash Equivalents** | | |
| | Cash at bank in hand | **2,420,325** | 3,140,105 |
| | Short-term bank deposits | **179,359** | 176,474 |
| | | **2,599,684** | 3,316,579 |

**Reconciliation of cash**

Cash and Cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

| | 2018 | 2017 |
|---|---|---|
| Cash and cash equivalents | **2,599,684** | 3,316,579 |
| Cash included in assets held for sale | **-** | 24,249 |
| **Balance as per consolidated statement of cash flows** | **2,599,684** | 3,340,828 |

| | | 2018 | 2017 |
|---|---|---|---|
| **12** | **Trade and Other Receivables** | | |
| | CURRENT | | |
| | Trade receivables | **2,666,034** | 1,825,176 |
| | Accrued revenue | **73,336** | 63,127 |
| | Other receivables | **5,728** | 11,447 |
| | **Total current trade and other receivables** | **2,745,098** | 1,899,750 |
| | NON-CURRENT | | |
| | Deposits | **24** | 24 |
| | Other receivables | **7,593** | 7,296 |
| | **Total non-current trade and other receivables** | **7,617** | 7,320 |

The following table details the Group's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

| | Gross amount | Past due and impaired | < 30 | 31-60 | 61-90 | > 90 | Within initial trade terms |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **2018** | | | | | | | |
| Trade and other receivables | **2,752,715** | **-** | **572,931** | **226,082** | **27,304** | **96,904** | **1,829,494** |
| **2017** | | | | | | | |
| Trade and other receivables | 1,907,070 | - | 540,542 | 99,355 | 166,547 | 33,114 | 1,067,512 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

| | | 2018 $ | 2017 $ |
|---|---|---|---|

**12 Trade and Other Receivables continued**

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The other classes of receivables do not contain impaired assets.

**(a) Collateral held as security**

The Group does not hold any collateral over any receivables balances.

**(b) Financial assets classified as loans and receivables**

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| Trade and other receivables | | | |
| - total current | | **2,745,098** | 1,899,750 |
| - total non-current | | **7,617** | 7,320 |
| Financial assets | 30 | **2,752,715** | 1,907,070 |

**13 Inventories**

| | 2018 $ | 2017 $ |
|---|---|---|
| At cost: | | |
| Work in progress | **9,000** | 30,300 |

**14 Interests in Subsidiaries**

**Composition of the Group**

| | Principal place of business / Country of Incorporation | Percentage Owned (%)* 2018 | Percentage Owned (%)* 2017 |
|---|---|---|---|
| **Subsidiaries:** | | | |
| Promadis Pty Ltd | Australia | **-** | 100.0 |
| Intersect Alliance International Pty Ltd | Australia | **100.0** | 100.0 |
| Prophecy International Pty Ltd as trustee for CSP Unit Trust | Australia | **100.0** | 100.0 |
| Prophecy R&D Pty Ltd | Australia | **100.0** | 100.0 |
| Prophecy Americas' Inc | United States | **93.1** | 93.1 |
| Prophecy Europe Limited | United Kingdom | **100.0** | 100.0 |
| eMite Pty Ltd | Australia | **100.0** | 100.0 |

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

**Significant judgements and assumptions**

The Group holds 93.1% of the ordinary shares and voting rights in Prophecy Americas Inc. One other investor holds 6.9%.

Management has reassessed its involvement in Prophecy Americas' Inc in accordance with AASB 10's revised control definition and guidance. It has concluded that they have control over Prophecy Americas' Inc. In making its judgement, management considered the Group's voting rights, the relative size and dispersion of the voting rights held by the other shareholder and the extent of recent participation by this shareholder in general meetings.

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |

### 15 Property, plant and equipment

PLANT AND EQUIPMENT

| | 2018 $ | 2017 $ |
|---|---|---|
| Plant and equipment | | |
| At cost | **918,987** | 843,257 |
| Accumulated depreciation | **(724,830)** | (640,834) |
| Total plant and equipment | **194,157** | 202,423 |
| Furniture, fixtures and fittings | | |
| At cost | **230,889** | 228,748 |
| Accumulated depreciation | **(182,848)** | (165,195) |
| Total furniture, fixtures and fittings | **48,041** | 63,553 |
| **Total property, plant and equipment** | **242,198** | 265,976 |

**Movements in carrying amounts of property, plant and equipment**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Plant and Equipment $ | Furniture, Fixtures and Fittings $ | Total $ |
|---|---|---|---|
| **Year ended 30 June 2018** | | | |
| Balance at the beginning of year | **202,423** | **63,553** | **265,976** |
| Additions | **75,690** | **635** | **76,325** |
| Disposals | **(967)** | **-** | **(967)** |
| Depreciation expense | **(83,207)** | **(16,725)** | **(99,932)** |
| Foreign exchange movements | **218** | **578** | **796** |
| **Balance at the end of the year** | **194,157** | **48,041** | **242,198** |
| **Year ended 30 June 2017** | | | |
| Balance at the beginning of year | 275,150 | 59,799 | 334,949 |
| Additions | 43,427 | 19,173 | 62,600 |
| Disposals | (10,303) | - | (10,303) |
| Depreciation expense | (105,819) | (15,389) | (121,208) |
| Foreign exchange movements | (32) | (30) | (62) |
| **Balance at the end of the year** | 202,423 | 63,553 | 265,976 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

### 16 Intangible Assets

| | 2018 $ | 2017 $ |
|---|---|---|
| Goodwill | | |
| Cost | **5,108,270** | 6,128,270 |
| Accumulated impairment losses | **-** | (1,020,000) |
| **Net carrying value** | **5,108,270** | 5,108,270 |
| Intellectual property | | |
| Cost | **12,720,000** | 12,945,000 |
| Accumulated amortisation and impairment | **(3,111,433)** | (2,433,575) |
| **Net carrying value** | **9,608,567** | 10,511,425 |
| Development costs | | |
| Cost | **2,678,372** | 1,975,252 |
| Accumulated amortisation and impairment | **(660,863)** | (309,975) |
| **Net carrying value** | **2,017,509** | 1,665,277 |
| **Total Intangibles** | **16,734,346** | 17,284,972 |

**Movements in carrying amounts of intangible assets**

| | Intellectual property $ | Goodwill $ | Development costs $ | Total $ |
|---|---|---|---|---|
| **Year ended 30 June 2018** | | | | |
| Balance at the beginning of the year | **10,511,425** | **5,108,270** | **1,665,277** | **17,284,972** |
| Additions | **-** | **-** | **703,120** | **703,120** |
| Amortisation | **(902,858)** | **-** | **(350,888)** | **(1,253,746)** |
| **Closing value at 30 June 2018** | **9,608,567** | **5,108,270** | **2,017,509** | **16,734,346** |

| | Intellectual property $ | Goodwill $ | Development costs $ | Total $ |
|---|---|---|---|---|
| **Year ended 30 June 2017** | | | | |
| Balance at the beginning of the year | 11,427,676 | 5,108,270 | 1,126,541 | 17,662,487 |
| Additions | - | - | 733,095 | 733,095 |
| Amortisation | (916,251) | - | (194,359) | (1,110,610) |
| **Closing value at 30 June 2017** | 10,511,425 | 5,108,270 | 1,665,277 | 17,284,972 |

# Notes to the Financial Statements

## For the Year Ended 30 June 2018

### 16 Intangible Assets continued

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the consolidated statement of profit or loss and other comprehensive income. Goodwill has an indefinite life and is not amortised.

Intellectual property with a carrying value of $8,567 (2017: $111,426) relates to copyright in Intersect Alliance International Pty Ltd's software products.

Intellectual property with a carrying value of $9,600,000 (2017: $10,400,000) relates to copyright in eMite Pty Ltd's software products. These products have a remaining amortisation period of 12 years.

Goodwill with a carrying value of $2,126,815 (2017: $2,126,815), determined on a value in use basis has been allocated to the Intersect Alliance International Pty Ltd segment. Value in use has been determined by reference to the net present value of cash flow projections over the next 4 years, discounted at a rate of 12%. It is assumed that revenue will continue to grow at 5% rates over the four years of the model, and this will result in 2% profit growth over the cycle. Management has based these assumptions on the targets set for the business.

Goodwill with a value of $2,981,455 (2017: $2,981,455), determined on a value in use basis has been allocated to the eMite Pty Ltd segment. Value in use has been determined by reference to the net present value of cash flow projections over the next 4 years, discounted at a rate of 12%. It is assumed that revenue will grow by 35% in 2018/19, and then by 65-75% per annum for the remaining years of the projection as the compounding effect of annual subscription software revenue is accounted for as revenue. Management has based these assumptions on the targets set for the business.

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| **17 Other Non-financial Assets** | | | |
| Prepayments | | **325,040** | 125,498 |
| **18 Trade and Other Payables** | | | |
| Current | | | |
| Trade payables | | **552,655** | 167,103 |
| Sundry payables and accrued expenses | | **512,997** | 721,881 |
| Other payables | | **2,654** | 2,659 |
| | | **1,068,306** | 891,643 |

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| **Financial liabilities at amortised cost classified as trade and other payables** | | | |
| Trade and other payables: | | | |
| - total current | | **1,068,308** | 889,955 |
| Financial liabilities as trade and other payables | **30** | **1,068,308** | 889,955 |
| **19 Deferred Income** | | | |
| Deferred income | | **3,552,711** | 2,723,042 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **20 Employee Benefits** | | |
| CURRENT | | |
| Long service leave | **234,403** | 292,760 |
| Annual leave | **462,357** | 464,353 |
| | **696,760** | 757,113 |
| NON-CURRENT | | |
| Long service leave | **119,338** | 95,830 |
| **21 Issued Capital** | | |
| 64,009,784 (2017: 64,009,784) Ordinary shares | **28,469,564** | 28,469,564 |

### (a) Ordinary shares

| | No. | No. |
|---|---|---|
| At the beginning and end of the reporting period | **64,009,784** | 64,009,784 |

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

### (b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

The Board monitors a range of financial metrics including return on capital employed and gearing ratios. A key objective of the Company's capital risk management is to maintain compliance with the covenants attached to the Company's debts. Throughout the year, the Company has complied with these covenants.

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

### 22 Capital and Leasing Commitments

**Operating Leases**

| | 2018 $ | 2017 $ |
|---|---|---|
| Minimum lease payments under non-cancellable operating leases: | | |
| - not later than one year | **252,962** | 385,014 |
| - between one year and five years | **162,288** | 414,097 |
| | **415,250** | 799,111 |

Operating leases have been taken out for premises in Adelaide, Sydney and America.

The Adelaide lease terminates on 30 June 2020.

The Sydney lease terminates on 30 September 2018.

The Prophecy Americas' Inc. lease terminates on 28 February 2019.

### 23 Contingencies

**Contingent Liabilities**

Prophecy International Pty Ltd, a controlled entity, has provided guarantees to third parties in respect of property lease rentals. The maximum amount payable is $144,618 (2017: $144,618).

Details of leases can be found in Note 22. The guarantees are secured by a fixed charge over Prophecy International Pty Ltd's bank balances.

No material losses are anticipated in respect to this contingency.

# Notes to the Financial Statements
## For the Year Ended 30 June 2018

### 24 Cash Flow Information

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Reconciliation of result for the year to cashflows from operating activities** | | |
| Profit/(Loss) for the year | **(730,194)** | 1,955,759 |
| Cash flows excluded from profit attributable to operating activities | | |
| Non-cash flows in profit: | | |
| - depreciation and amortisation | **1,353,457** | 1,218,425 |
| - depreciation and amortisation from discontinued operations | **-** | 14,092 |
| - net gain on disposal of property, plant and equipment | **967** | - |
| - net (gain)/loss on sale of division | **2,451** | (1,835,095) |
| - foreign exchange (gain)/loss | **(61,751)** | 75,257 |
| - foreign exchange differences arising on translation of foreign subsidiaries | **(43,342)** | 38,148 |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | |
| - (increase)/decrease in trade and other receivables | **(828,099)** | 1,382,203 |
| - (increase)/decrease in other assets | **(106,664)** | (96,246) |
| - (increase)/decrease in inventories | **20,084** | 659 |
| - (increase)/decrease in deferred tax asset | **(104,942)** | 57,477 |
| - increase/(decrease) in income in advance | **828,599** | (664,037) |
| - increase/(decrease) in trade and other payables | **182,699** | 54,903 |
| - increase/(decrease) in income taxes payable | **(476,849)** | (485,006) |
| - increase/(decrease) in deferred tax liability | **173,102** | 66,717 |
| - increase/(decrease) in other liabilities | **(125,001)** | 125,001 |
| - increase/(decrease) in employee benefits | **(36,141)** | (87,541) |
| Cashflows from operations | **48,376** | 1,820,716 |

**(a) Credit standby arrangements with banks**

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Credit facility | **40,000** | 40,000 |
| Amount utilised | **(5,386)** | (3,772) |
| | **34,614** | 36,228 |

The major facilities are summarised as follows:

Credit cards:
Prophecy International Pty Ltd, Intersect Alliance Pty Ltd and eMite Pty Ltd, controlled entities, have credit card facilities.

# Notes to the Financial Statements

## For the Year Ended 30 June 2018

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |

### 25 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### 26 Reserves and retained surplus

#### (a) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

#### (b) Share option reserve

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

### 27 Tax

| | 2018 $ | 2017 $ |
|---|---|---|
| **Current Tax Asset** | | |
| Income tax receivable | **347,132** | - |
| **Current Tax Liability** | | |
| Income tax payable | **-** | 129,717 |
| **Recognised deferred tax assets and liabilities** | | |
| Deferred tax assets | **421,386** | 316,444 |
| Deferred tax liabilities | **669,717** | 496,615 |

**Unrecognised deferred tax assets**

| | 2018 $ | 2017 $ |
|---|---|---|
| Deferred tax assets have not been recognised in respect of the following: | | |
| Tax losses | **5,362,003** | 4,743,730 |

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therein.

# Notes to the Financial Statements

## For the Year Ended 30 June 2018

### 27 Tax continued

**Deferred Tax Assets**

| | Opening Balance | Charged to Income | Charged directly to Equity | Transferred to asset held for sale | Closing Balance |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Property, plant and equipment | | | | | |
| - tax allowance | 1,140 | 210 | - | - | 1,350 |
| Provisions - employee benefits | 278,115 | (50,861) | - | (6,465) | 220,789 |
| Unrealised foreign exchange | (115,283) | (44,161) | 48,896 | - | (110,548) |
| Accruals | 98,958 | (4,616) | - | - | 94,342 |
| Deferred tax assets attributable to tax losses | 110,106 | - | - | - | 110,106 |
| s40-880 deduction | 885 | (480) | - | - | 405 |
| **Balance at 30 June 2017** | 373,921 | (99,908) | 48,896 | (6,465) | 316,444 |
| Property, plant and equipment | | | | | |
| - tax allowance | **1,350** | **1,593** | **-** | **-** | **2,943** |
| Provisions - employee benefits | **220,789** | **(15,207)** | **-** | **-** | **205,582** |
| Unrealised foreign exchange | **(110,548)** | **(53,382)** | **50,959** | **-** | **(112,971)** |
| Accruals | **94,342** | **60** | **-** | **-** | **94,402** |
| Deferred tax assets attributable to tax losses | **110,106** | **120,770** | **-** | **-** | **230,876** |
| s40-880 deduction | **405** | **149** | **-** | **-** | **554** |
| **Balance at 30 June 2018** | **316,444** | **53,983** | **50,959** | **-** | **421,386** |

| | Opening Balance | Charged to Income | Charged directly to Equity | Transferred to asset held for sale | Closing Balance |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Work in progress | 3,885 | 14,767 | - | - | 18,652 |
| Prepayments | 5,521 | (1,344) | - | (1,864) | 2,313 |
| Other current assets | 351,669 | 103,534 | - | - | 455,203 |
| Unrealised foreign currency gains | 68,823 | (48,376) | - | - | 20,447 |
| **Balance at 30 June 2017** | 429,898 | 68,581 | - | (1,864) | 496,615 |
| Work in progress | **18,652** | **2,808** | **-** | **-** | **21,460** |
| Prepayments | **2,313** | **714** | **-** | **-** | **3,027** |
| Other current assets | **455,203** | **96,230** | **-** | **-** | **551,433** |
| Unrealised foreign currency gains | **20,447** | **73,350** | **-** | **-** | **93,797** |
| **Balance at 30 June 2018** | **496,615** | **173,102** | **-** | **-** | **669,717** |

### 28 Operating Segments

**Segment information**

**Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

**Basis of accounting for purposes of reporting by operating segments**

**(a) Accounting policies adopted**

Unless stated below, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Income tax expense is calculated based on the segment operating net profit using a notional charge of 30%. The effect of taxable or deductible temporary differences is not included for internal reporting purposes.

An internally determined transfer price is set for all inter-entity sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

**(b) Segment assets**

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

**(c) Segment liabilities**

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

**(d) Unallocated items**

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- deferred tax assets and liabilities
- current tax liabilities
- intangible assets

### 28 Operating Segments continued

#### (e) Segment performance

| | Legacy | | SNARE | | eMite | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **REVENUE** | | | | | | | | |
| External sales | **609,216** | 654,652 | **6,740,800** | 6,457,781 | **3,214,197** | 1,954,375 | **10,564,213** | 9,066,808 |
| Other revenue | **58,778** | 16,048 | **140** | 1,501 | **53,072** | 103,648 | **111,990** | 121,197 |
| **Total segment revenue** | **667,994** | 670,700 | **6,740,940** | 6,459,282 | **3,267,269** | 2,058,023 | **10,676,203** | 9,188,005 |
| **Segment operating profit/(loss)** | **(488,113)** | (479,890) | **1,529,337** | 2,330,614 | **(1,882,284)** | (2,461,309) | **(841,060)** | (610,585) |

#### (f) Segment assets

| | Legacy 2018 | Legacy 2017 | SNARE 2018 | SNARE 2017 | eMite 2018 | eMite 2017 | Total 2018 | Total 2017 |
|---|---|---|---|---|---|---|---|---|
| **Segment assets** | **33,758,184** | 30,500,252 | **5,016,136** | 6,101,070 | **2,157,323** | 624,459 | **40,931,643** | 37,225,781 |
| - Capital expenditure | **16,592** | 8,900 | **41,780** | 18,609 | **17,954** | 35,091 | **76,326** | 62,600 |
| - Intangible assets | **-** | - | **703,120** | 733,095 | **-** | - | **703,120** | 733,095 |

#### (g) Segment liabilities

| | Legacy 2018 | Legacy 2017 | SNARE 2018 | SNARE 2017 | eMite 2018 | eMite 2017 | Total 2018 | Total 2017 |
|---|---|---|---|---|---|---|---|---|
| **Segment liabilities** | **41,510,901** | 39,858,408 | **3,087,486** | 2,580,008 | **4,214,500** | 2,047,119 | **48,812,887** | 44,485,535 |

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |

### 28 Operating Segments continued

#### (h) Reconciliations

*Reconciliation of segment revenue to consolidated statement of profit or loss and other comprehensive income*

| | 2018 | 2017 |
|---|---|---|
| Total segment revenue | **10,676,203** | 9,188,005 |

*Reconciliation of segment operating profit to the consolidated statement of profit or loss and other comprehensive income*

The Board meets on a monthly basis to assess the performance of each segment, net operating profit does not include non-operating revenue and expenses such as dividends, fair value gains and losses.

| | 2018 | 2017 |
|---|---|---|
| Segment net operating profit | **(841,060)** | (610,585) |
| Income tax expense | **47,223** | 389,449 |
| Profit from discontinued operations | **2,451** | 2,176,895 |
| Total net profit after tax | **(791,386)** | 1,955,759 |

*Reconciliation of segment assets to the consolidated statement of financial position*

| | 2018 | 2017 |
|---|---|---|
| Segment operating assets | **40,931,643** | 37,225,781 |
| Intersegment eliminations | **(34,655,874)** | (31,458,733) |
| Deferred tax assets | **421,386** | 316,444 |
| Intangible assets | **16,734,346** | 17,284,972 |
| Total assets per the consolidated statement of financial position | **23,431,501** | 23,368,464 |

*Reconciliation of segment liabilities to the consolidated statement of financial position.*

| | 2018 | 2017 |
|---|---|---|
| Segment liabilities | **48,812,887** | 44,485,536 |
| Intersegment eliminations | **(43,375,772)** | (39,892,907) |
| Current tax liabilities | **-** | 129,717 |
| Deferred tax liabilities | **669,717** | 496,615 |
| Total liabilities per the consolidated statement of financial position | **6,106,832** | 5,218,961 |

#### (i) Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets are based on the location of the assets.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Revenue** | **Assets** | **Revenue** | **Assets** |
| Australia | **2,472,192** | **19,509,912** | 2,472,732 | 20,533,995 |
| United States | **7,192,793** | **3,212,515** | 5,782,975 | 2,272,409 |
| Europe | **905,388** | **709,074** | 879,017 | 562,060 |
| Asia | **105,830** | **-** | 53,281 | - |
| | **10,676,203** | **23,431,501** | 9,188,005 | 23,368,464 |

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|

## 29 Related Parties

### (a) The Group's main related parties are as follows:

*(i) Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 7: Interests of Key Management Personnel (KMP) and the remuneration report in the Directors' Report.

Other transactions with KMP and their related entities are shown below.

### (b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

| | 2018 $ | 2017 $ |
|---|---|---|
| Moore Stephens (SA) Pty Ltd, a company directed by Grant R Miles, the Company Secretary and Director, provided Company Secretary and accounting services to the Group. Directors Fees of $70,000 for Grant R Miles were paid to Moore Stephens (SA) Pty Ltd as stated in the Remuneration Report included in the Directors' Report | **27,515** | 28,864 |
| ITVIZZ Pte Ltd, a company directed by Stuart Geros, the Company CPO, provided consulting services to the Group, which are yet to be paid. | **107,956** | - |
| PYC Inc a company Peter Barzen is a partner in, has a profit share agreement with Snare Alliance who received royalties during the 2017/2018 year. | **141,002** | - |
| **Total** | **276,473** | 28,864 |

## 30 Financial Risk Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and equity price risk.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and cash equivalents | 11 | **2,599,684** | 3,316,579 |
| Financial assets at fair value through profit or loss | | | |
| Loans and receivables | 12 | **2,752,715** | 1,907,070 |
| **Total financial assets** | | **5,352,399** | 5,223,649 |
| **Financial Liabilities** | | | |
| Financial liabilities at amortised cost | | | |
| - Trade and other payables | 18 | **1,068,306** | 891,643 |
| **Total financial liabilities** | | **1,068,306** | 891,643 |

### 30 Financial Risk Management continued

**Objectives, policies and processes**

The Board of Directors have overall responsibility for the establishment of the Group’s financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

The day-to-day risk management is carried out by the Group’s finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

**Specific financial risk exposures and management**

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk, foreign currency risk and equity price risk.

**(a) Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group and arises principally from the Group's receivables.

The group has a material credit risk exposure to the Commonwealth Bank of Australia and National Australia Bank, although the risk of a material loss from this exposure is considered to be very low.

The consolidated group does not hold any collateral in respect of any financial instruments.

There is no provision for impairment of receivables at 30 June 2018 or at 30 June 2017.

Although trade and other receivables are all unrated, no indicators of impairment have been found at 30 June 2018.

The group at present has two types of customers:

The first consists of small to medium organisations that renew their software licences annually. These organisations have been clients for many years and the consolidated group has experienced little bad debt history from these clients.

The second are new licence/service clients who in the main are large government organisations, and it is the consolidated group's policy to subject these organisations to credit verification procedures.

It is the consolidated group's policy to review all outstanding accounts monthly, and any overdue accounts are contacted to ascertain their payment intentions.

### 30 Financial Risk Management continued

#### (b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- holding only creditor debt;
- no bank overdraft facilities;
- maintain a significant cash balance to offset any downturn in a quarter's trade performance;
- cash balances are spread over a mixture of on-call accounts and bank term deposits to maximise operational flexibility and interest receivable;
- foreign currency receipts are remitted to Australia regularly, converted to Australian dollars and banked in the abovementioned accounts to maximise interest receivable;
- cash flow projections are ascertained from the consolidated group's policy of reviewing all its business operations in detail on a quarterly basis, and the board agreeing the revised profit and cash outlooks for the year, and measuring actual performance against these on a monthly basis.

| | Within 1 Year | | 1 to 5 Years | | Over 5 Years | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Financial assets - cash flows realisable** | | | | | | | | |
| Cash and cash equivalents | **2,599,684** | 3,316,579 | **-** | - | **-** | - | **2,599,684** | 3,316,579 |
| Trade, term and loans receivables | **2,745,098** | 1,899,750 | **7,617** | 7,320 | **-** | - | **2,752,715** | 1,907,070 |
| Total anticipated outflows | **5,344,782** | 5,216,329 | **7,617** | 7,320 | **-** | - | **5,352,399** | 5,223,649 |
| **Financial liabilities due for payment** | | | | | | | | |
| Trade and other payables | **1,068,306** | 891,643 | **-** | - | **-** | - | **1,068,306** | 891,643 |

The timing of expected outflows is not expected to be materially different from contracted cashflows.

Financial assets pledged as collateral

No financial assets have been pledged as security for any financial liability.

#### (c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

*Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in UK pounds and US dollars may impact on the Group's financial results unless those exposures are appropriately hedged.

Currently there are no hedges in place.

### 30 Financial Risk Management continued

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of operations.

| | Net financial assets /(liabilities) in AUD $ | | | | | |
|---|---|---|---|---|---|---|
| | **USD** | **EUR** | **GBP** | **SGD** | **NZD** | **Total AUD** |
| **2018** | **$** | **$** | **$** | **$** | **$** | **$** |
| Consolidated | | | | | | |
| Trade and other receivables | **1,645,935** | **46,996** | **313,930** | **64,119** | **20,170** | **2,091,150** |
| Trade and other payables | **(167,901)** | **-** | **(10,650)** | **-** | **-** | **(178,551)** |
| **2017** | | | | | | |
| Consolidated | | | | | | |
| Trade and other receivables | 1,246,119 | 131,871 | 89,270 | - | - | 1,467,260 |
| Trade and other payables | (16,621) | - | (10,198) | - | - | (26,819) |

Forward exchange contracts

There were no outstanding forward exchange contracts as at 30 June 2018 or 30 June 2017.

**Foreign currency risk sensitivity analysis**

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Company's financial assets and financial liabilities and the US Dollar – Australian Dollar exchange rate, UK pounds – Australian Dollar exchange rate and the Euro - Australian Dollar exchange rate. There have been no changes in the assumptions calculating this sensitivity from prior years.

The year end rate is 0.74 US dollars, 0.56 UK pounds and 0.63 Euros.

If the Australian Dollar had strengthened and weakened against the US dollar, UK pound and Euro by 10%, impacts would be as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **+10%** | **-10%** | **+10%** | **-10%** |
| **USD** | | | | |
| Net results | **(55,492)** | **67,823** | (89,689) | 109,620 |
| Equity | **(112,293)** | **137,247** | (53,518) | 65,411 |
| **GBP** | | | | |
| Net results | **(1,376)** | **1,681** | (7,754) | 9,477 |
| Equity | **(5,185)** | **6,338** | (6,544) | 7,998 |
| **Euro** | | | | |
| Net results | **(6,986)** | **8,538** | (60) | 73 |
| Equity | **-** | **-** | - | - |

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 Company's exposure to foreign currency risk.

### 30 Financial Risk Management continued

#### Net fair values

#### Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the consolidated statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Net Carrying Value | Net Fair value | Net Carrying Value | Net Fair value |
| | $ | $ | $ | $ |
| **Financial assets** | | | | |
| Cash and cash equivalents | **2,599,684** | **2,599,684** | 3,316,579 | 3,316,579 |
| Trade and other receivables | **2,752,715** | **2,752,715** | 1,907,070 | 1,907,070 |
| **Total financial assets** | **5,352,399** | **5,352,399** | 5,223,649 | 5,223,649 |
| **Financial liabilities** | | | | |
| Trade and other payables | **1,068,306** | **1,068,306** | 891,643 | 891,643 |
| **Total financial liabilities** | **1,068,306** | **1,068,306** | 891,643 | 891,643 |

### 31 Parent entity

The following information has been extracted from the books and records of the parent, Prophecy International Holdings Limited and Controlled Entities and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Prophecy International Holdings Limited and Controlled Entities has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation legislation

Prophecy International Holdings Limited and Controlled Entities and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

Each entity in the tax consolidated group accounts for their own current and deferred tax amounts. These tax amounts are measured using the 'stand-alone taxpayer' approach to allocation.

Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to the head entity.

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Statement of Financial Position** | | |
| Assets | | |
| Current assets | **8,881,427** | 8,018,173 |
| Non-current assets | **17,991,000** | 19,104,668 |
| Total Assets | **26,872,427** | 27,122,841 |
| Liabilities | | |
| Current liabilities | **19,392,161** | 18,625,598 |
| Non-current liabilities | **-** | 128,123 |
| Total Liabilities | **19,392,161** | 18,753,721 |
| Equity | | |
| Issued capital | **28,469,564** | 28,469,564 |
| Retained earnings/(Accumulated losses) | **(21,114,123)** | (20,225,269) |
| Share option reserve | **124,825** | 124,825 |
| Total Equity | **7,480,266** | 8,369,120 |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Total profit or loss for the year | **(888,853)** | 169,158 |
| **Total comprehensive income** | **(888,853)** | 169,158 |

### 31 Parent entity continued

#### Guarantees

The parent entity has not entered into any guarantees as at 30 June 2018 or 30 June 2017.

#### Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

#### Contractual commitments

The parent entity did not have any commitments as at 30 June 2018 or 30 June 2017.

### 32 Company Details

The registered office and principal place of business of the company is:

Prophecy International Holdings Limited and Controlled Entities
Level 1
76 Waymouth Street
Adelaide SA 5000

# Directors' Declaration

## For the Year Ended 30 June 2018

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2018 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the consolidated financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the consolidated group;

2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:

    a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    b. the consolidated financial statements and notes for the financial year comply with the Accounting Standards; and

    c. the consolidated financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

| | |
|---|---|
| Director .............................................................. | Director .............................................................. |
| Ed Reynolds | Leanne Challans |

Dated this 27th day of September, 2018

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

# Independent Auditor's Report

## To the Members of Prophecy International Holdings Limited

### Report on the audit of the financial report

#### Opinion

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

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

a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

GrantThornton

## Key audit matters

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition**<br>**Notes 1 & 2** | |
| During the period ended 30 June 2018, the Group recognised $10,674,488 in revenue.<br><br>The Group generates revenue primarily from computer software license agreements. The agreements generally span a year and contain initial and ongoing licensing and maintenance fees. Determining the appropriate allocation of the contract fees requires a degree of management judgement.<br><br>This area is a key audit matter due to the estimation involved in assessing the status of these contracts. | Our procedures included, amongst others:<br><br>• Documenting the processes and assessing whether internal controls are designed effectively relating to revenue processing and recognition;<br>• Reviewing management's revenue recognition policies for each revenue stream against the requirements of AASB 118 *Revenues*;<br>• Performing analytical procedures to understand the movements and trends in revenue and comparing against auditor expectations;<br>• Selecting a sample of sales transactions and performing the following procedures:<br>  - Tracing to supporting documentation to assess whether revenue was recognised in the appropriate period;<br>  - Determining if invoices were issued in line with the terms of the sales contracts; and<br>  - Agreeing the portion of the sales transaction recognised in work in progress and unearned income;<br>• Selecting a sample of transactions occurring just prior to and after year end, and tracing to supporting documentation to assess whether revenue transactions were recorded in the correct period; and<br>• Assessing the adequacy of the Group's disclosures within the financial statements. |

Grant Thornton

**Recoverable amount of intangible assets**
**Notes 1 & 16**

At 30 June 2018, the carrying value of intangible assets was $16,734,346. Of this balance, $2,981,455 of goodwill and $9,600,000 of intangibles were recognised relating to the eMite business segment. This represents a significant portion of the total Group's intangible assets.

In accordance with AASB 136 *Impairment of Assets*, management is required to test intangible assets with indefinite useful lives and goodwill for impairment at least annually.

Management has assessed that eMite Pty Ltd is one of three cash-generating units (CGUs), and have allocated goodwill and intangible assets to this CGU as part of the acquisition in the prior period.

Management has tested for impairment by comparing the carrying amounts of the CGUs with their recoverable amounts and has determined that no impairment existed at 30 June 2018.

Recoverable amounts were determined on a value in use basis. Value in use was determined by management by estimating the future cash inflows and outflows to be derived from the continuing use of the assets in the eMite CGU and applying the appropriate discount rate to those future cash flows.

This is a key audit matter due to the judgements and estimates required in determining the appropriate CGUs, allocating assets to CGUs and calculating the recoverable amount on a value in use basis.

Our procedures included, amongst others:

- Documenting the processes and assessing whether internal controls are designed effectively relating to impairment considerations;
- Evaluating management's assessment of CGUs and whether they meet the definition as prescribed by AASB 136;
- Obtaining management's latest impairment assessment and discounted cash flow model and performing the following procedures:
  - Identifying the key assumptions in the model;
  - Obtaining evidence to support the key assumptions;
  - Performing sensitivity analysis on the key assumptions;
  - Testing the mathematical accuracy of the model;
  - Testing management's ability to perform accurate estimates by comparing historical forecasts to current year performance;
  - Involving an auditor's expert to assess the reasonableness of the discount rate; and
- Assessing the adequacy of the Group's disclosures within the financial statements.

**Capitalised development costs**
**Notes 1 & 16**

| | |
|---|---|
| At 30 June 2018 the carrying value of capitalised development costs was $2,017,509.<br><br>In accordance with AASB 138 *Intangible Assets*, capitalised development costs must meet certain development criteria in order to be classified as an intangible asset. Assessing whether this criteria has been met requires an element of management judgement.<br><br>This area is a key audit matter due to the degree of management judgement involved. | Our procedures included, amongst others:<br>• Documenting the processes and assessing whether internal controls are designed effectively relating to capitalised development costs;<br>• Reviewing management's capitalisation policy to against the requirements of AASB 138;<br>• Agreeing a sample of additions to underlying supporting documentation;<br>• Evaluating management's assessment of future economic benefits to be derived from the capitalised development costs and challenging assumptions made by management;<br>• Recalculating the amortisation expense recognised for the year;<br>• Assessing the reasonableness of the amortisation period; and<br>• Assessing the adequacy of the Group's disclosures within the financial statements. |

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

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

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

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

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

### Responsibilities of the Directors for the financial report

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

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

Grant Thornton

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

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

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

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018.

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

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 27 September 2018

# Additional Information for Listed Public Companies
## For the Year Ended 30 June 2018

### ASX Additional Information
Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below.
This information is effective as at 27 September 2018.

### Substantial shareholders
The number of substantial shareholders and their associates are set out below:

### Voting rights

*Ordinary Shares*
On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Options*
No voting rights.

### Distribution of equity security holders

| | | Ordinary shares | |
|---|---|---|---|
| **Holding** | | **Shares** | **Options** |
| 1 - 1,000 | | 416 | 0 |
| 1,001 - 5,000 | | 641 | 0 |
| 5,001 - 10,000 | | 298 | 0 |
| 10,001 - 100,000 | | 460 | 0 |
| 100,000 and over | | 72 | 0 |
| | **Total** | **1887** | 0 |

There were 438 holders of less than a marketable parcel of ordinary shares.

### Twenty largest shareholders

### Unissued equity securities
Options issued -.

### Securities exchange
The Company is listed on the Australian Securities Exchange.

# Additional Information for Listed Public Companies
## For the Year Ended 30 June 2018

| Rank | Twenty Largest Shareholders | Numbers Held | % of Ordinary |
|---|---|---|---|
| 1. | REYER INVESTMENTS PTY LTD (SUPER FUND A/C) | 7,700,000 | 12.03% |
| 2. | DUNMOORE PTY LTD | 5,004,052 | 7.82% |
| 3. | MICROEQUITIES ASSET MANAGEMENT PTY LTD | 3,816,885 | 5.96% |
| 4. | MR DARREN M GEROS + MS BELINDA GEROS (GEROS FAMILY A/C) | 2,430,791 | 3.80% |
| 5. | J P MORGAN NOMINEES AUSTRALIA LIMITED | 2,358,576 | 3.68% |
| 6. | CITICORP NOMINEES PTY LIMITED | 2,238,342 | 3.50% |
| 7. | MARIA O'CONNOR + ASSOCIATES PTY LTD | 1,937,030 | 3.03% |
| 8. | MR STUART C GEROS + MRS MICHELLE D GEROS (THE EMERALD POINT FAM A/C) | 1,878,177 | 2.93% |
| 9. | SMOOTHWARE PTY LTD | 1,085,230 | 1.70% |
| 10. | HOLDEN HOLDEN + ASSOCIATES PTY LTD | 1,021,875 | 1.60% |
| 11. | FIVE TALENTS LIMITED – NEW ZEALAND | 900,000 | 1.41% |
| 12. | MS CHRISTINE A HOLDEN + MR BRIAN P TOWLER (CHRISTINE HOLDEN S/F A/C) | 800,000 | 1.25% |
| 13. | MRS L R CHALLANS + MR S W CHALLANS | 774,880 | 1.21% |
| 14. | SILVERNINE PTY LTD | 705,469 | 1.10% |
| 15. | DR DEAN ANDARY | 677,201 | 1.06% |
| 16. | BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP) | 649,777 | 1.02% |
| 17. | ANDAMAX INVESTMENTS PTY LTD | 622,122 | 0.97% |
| 18. | CUSTODIAL SERVICES LIMITED (BENEFICIARIES HOLDING A/C) | 616,534 | 0.96% |
| 19. | MR PETER JOSEPH BARZEN | 600,000 | 0.94% |
| 20. | MR DARREL RAY SCHNEIDER (SCHNEIDER FAMILY JV A/C) | 552,159 | 0.86% |

# Additional Information for Listed Public Companies
## For the Year Ended 30 June 2018

### Substantial Shareholders

Substantial shareholders in the company are set out below:

| Name | Ordinary Shares | % held |
|---|---|---|
| REYER INVESTMENTS PTY LTD (SUPER FUND A/C) | 7,700,000 | 12.03% |
| DUNMOORE PTY LTD | 5,004,052 | 7.82% |
| MICROEQUITIES ASSET MANAGEMENT PTY LTD | 3,816,885 | 5.96% |

### Other Information

Enquiries from shareholders should be addressed to Prophecy International Holdings Limited on (08) 8213 1200 or the Company's Share Registry, Computershare Investor Services on 1300 55 61 61 from within Australia or +61 3 9415 4000 from outside Australia

Shareholders who have changed their address should advise the Company's Share Registry in writing. Shareholders who do not wish to receive an Annual Report should advise the Company's Share Registry in writing.

### Voting Rights

Voting rights attaching to ordinary shares are on a show of hands. Every member present in person or by proxy has one vote, and upon a poll each share shall have one

### Unissued equity securities

Options unissued - nil

### Securities exchange

The Company is listed on the Australian Securities Exchange.