



Prophecy

Consolidated Financial Statements

For the Half-Year Ended 31 December 2018

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Results For Announcement to the Market For the Period Ended 31 December 2018

This report should be read in conjunction with the 30 June 2018 Annual Financial Report of the consolidated entity.

1	Summary of results	% change	Direction	\$
	Revenue from ordinary activities from continuing operations	4%	up	6,120,791
	Loss from ordinary activities before tax attributable to members	269%	down	(655,054)
	Loss from ordinary activities after tax attributable to members	932%	down	(659,806)
	Loss from ordinary activities attributable to members (after non controlling interests)	817%	down	(647,769)

The Directors have decided not to pay an interim dividend for the half year.

2 Explanatory information

For the six months to 31 December 2018, Prophecy has posted a loss before tax of (\$655k). This compares with a profit of \$387k before tax for the same period last year.

Revenues for the six months to 31 December 2018 were \$6.12 million – up 4% from the same period last year which recorded revenues of \$5.89 million.

The half year closed with a cash balance of \$2.3 million which is the same as the cash balance at the same period last year.

3	Net Tangible Assets per Security	2018 \$	2017 \$
	Net Tangible Assets	529,999	1,195,704
	Number of Securities	64,009,784	64,009,784
	NTA per Security	0.008	0.019

The reviewed financial statements for the period ended 31 December 2018 are attached

Prophecy International Holdings Limited and Controlled Entities

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Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Review of Operations & Results of Operations

For the Half Year Ended 31 December 2018

FINANCIALS

Prophecy is pleased to announce results for H1 FY19 that show an improvement in revenue over FY18 with a pleasing increase over the same period last year from Snare and solid and consistent performance from eMite.

Final results show sales revenue of AUD\$6.120M with EBITDA of AUD\$0.064M.

This represents revenue growth of 4% against the same period last year for the combined Snare and eMite businesses. While this is pleasing, the board has decided that no dividend will be declared for this half.

The first half has been characterized by increases in the number of sales transactions from Snare and eMite and the launch of Snare Analytics and Snare Threat Intelligence.

eMite key statistics

- 59 new eMite customers added in the first half – (an average of 9.8 per month) vs 37 in the same period last year – representing a 59.46% increase in sales transactions
- 40% of all eMite sales are now multi-year annuity agreements of between 2 and 4 years
- >3,500 contact centre seats sold in H1
- \$1.606M in revenue vs \$1.772M in H1 FY18 - remembering that this amount last year included a large perpetual license deal of approximately \$600K
- Sales across 16 countries
- Blue chip customers including Norton Rose Fullbright, Hilton Hotels, Purplebricks, F5 Networks and AXA Life Japan
- Significant increase in sales contribution from North America that now represents 65% of all eMite sales & pipeline in the USA is up by more than 700% from the same time last year.

The sales for eMite were above forecast for the number of sales but our average deal size was slightly lower than forecast in H1 and this did mean that we did not achieve the level of revenue that we expected. Our pipeline in H2 suggests that we will achieve or exceed our expected average in H2 and should meet our full year expectations.

Snare key statistics

- 348 new business sales vs 258 in the same period last year – a 34.88% increase
- \$3.227M in new business Snare sales vs \$2.566M for H1 last year – a 20.5% increase
- Total Snare revenue up from \$3.540M in FY18 to \$3.919M in FY19- a 10.7% increase over the same period last year
- 4 new Snare Analytics large enterprise customers implemented in the USA, Canada and Europe
- Blue chip customers including Singapore Stock Exchange, American Express, Worley Parsons, Gemalto, Wyndham Hotels and a number of military and defense agencies from around the world.

Snare out-performed our expectations due to better win ratios and an improved product portfolio and a great performance from our sales team. The addition of Snare Analytics and Snare Threat Intelligence gives us a greater market opportunity and an improved product portfolio for customers enabling them to move through the security maturity curve with Snare and without having to choose alternative vendors. Overall the Snare story is much stronger with the launch and release of the Snare Analytics products. Our development teams in Sydney and Adelaide have performed exceptionally well to deliver this high quality software for our customers.

The launch of Snare Analytics out performed our expectations in H1 and we continue to build a pipeline of new opportunities and have a substantial upsell opportunity in our 2700 existing Snare customers.

Review of Operations & Results of Operations

For the Half Year Ended 31 December 2018

Legacy revenue increased to \$596,378 from \$574,395. These customers are in maintenance mode and no new sales activity is undertaken with these products.

Our balance sheet remains strong with a cash balance of AUD\$2.3 million which is the same as the cash balance last year at the half.

Prophecy Group continues to be debt free.

Business Operations

This year the board has reviewed the accounting treatment for Snare development costs based on the maturity of the product. As the product is now very stable, there is no ongoing new development required. The board has identified that any further work does not meet the criteria to capitalise development costs. Previously we have capitalised development for Snare, and this has had the effect of reducing costs in the P&L and increasing profitability as a result. Last year the amount capitalised in H1 was approximately \$370K. This year we are no longer capitalising development and all software development costs flow through to the P&L.

Existing Capitalised Development costs will continue to be amortised over their useful life, however no new development costs will be capitalised as they do not meet the criteria under the accounting standards for further capitalisation.

The impact of this is that the profitability last period is higher in comparison due to this capitalisation which moves the costs to the balance sheet rather than retaining them in the P&L. For comparisons sake had we continued with capitalisation of these costs at the same level as last year our loss in H1 would have been lower by approximately \$370K.

We also had a number of marketing and launch expenses that were incurred in the global launch of Snare Analytics that will not be repeated in H2, we also had a substantial review and reduction of costs late in H1 that have not been fully realised in the P&L that should have a positive impact in H2.

Our most significant opportunity and the majority of our forward-looking pipeline is in the USA and EMEA. As a result, we are reallocating sales resources that may have been in Australia to these markets.

In the last year we have increased our eMite sales team in the US and added new sales roles in EMEA as well as adding support in both the US and in Manila as our customer base grows.

We have also added Snare sales in Canada and will continue to invest the appropriate amount to address the market in the US and EMEA in preference to additional investment in Australia.

Markets

Prophecy Group now operates across three main solution areas leveraging the power of the Snare and eMite products:

- CX Intelligence – delivering real time operational insight for contact centres
- Threat Intelligence and Enterprise Log Management – delivering Cyber Security threat detection and management solutions leveraging Snare and eMite products
- IT Operational Insight – delivering real time insight to IT Operations and IT Service Management

CX Intelligence

The eMite CX Intelligence platform enables customers to gain real time insight into their business operations, correlating and aggregating data from multiple systems like PureCloud by Genesys, CRM systems including Salesforce, ServiceDesk systems including ServiceNow and Workforce Management systems, into a single real time dashboard with advanced analytics.

We have increased coverage to include new sales resources in EMEA covering Europe and the Middle East. eMite CX Intelligence has now been sold in more than 16 countries.

Review of Operations & Results of Operations

For the Half Year Ended 31 December 2018

These sales are generally subscription based sales for a fully hosted solution. Customer contracts are usually from one or three years with an annual or monthly payment as well as a flat set up fee to implement and configure the service. A typical sale for the CX Intelligence solution for PureCloud is approximately AUD\$28,000 per annum however in H1 our average deal size was smaller than this simply due to the customer mix.

We are starting to see larger deal sizes as we sell to customers with more contact centre agents. In January 2019 we also increased our prices for CX Intelligence through Genesys and our partners, added new functionality that incurs additional licensing as well as experienced larger opportunities with Enterprise customers. The pipeline for XC Intelligence is very strong.

In the last year we have also added PureConnect and PureEngage as out of the box offerings for Genesys customers. The majority of our sales at this point have been to PureCloud customers.

Prophecy has sales resources in Australia, UK, USA and in Brazil covering North America, LATAM, APAC and Europe. Genesys sales teams sell eMite on Genesys contracts globally and maintain the contractual and billing relationship with the end customer. We also sell through a number of Genesys partners who have a direct relationship with eMite including Telstra, Datacom, QPC and UCA. In the last year we have also added a number of partners in Europe and the USA including ConvergeOne, CPI.Solutions, Nextel and AVDS.

In January 2019 we also released new capability in the eMite platform by expanding our gamification capabilities as well as introducing runbook capability to enable automation of actions based on algorithms and calculated KPI's.

In H2 you will see a new line of business for CX Intelligence as we add additional contact centre vendors into our product portfolio making the solution available outside the Genesys customer base and enabling us to recruit new partners selling an alternative solution to Advanced Analytics for Genesys.

Threat Intelligence & Log Management

Logging and Log Management is a foundational pillar in maintaining IT Cyber Security for government agencies and corporations. It's also a key requirement for achieving compliance with a range of compliance standards and regulations including PCI, GDPR, HIPAA and many others. Logging and Log Management continues to evolve, and Snare is evolving to meet the new challenges in IT security.

Snare Logging enables our customers to collect, store, forward, filter sort and report on IT event logs for both real time and forensic purposes across multiple IT platforms. Supported platforms include many versions of Windows, Linux, Unix, OSX and across many types of devices including servers, desktops, domain controllers, firewalls, switches and routers and databases. The Snare platform includes agents for log collection, technology for forwarding and filtering logging data and Snare Server which is a reporting, forensics and storage platform operating as a SIEM for some customers.

Snare can also send logs to many Industry standard SIEMs or to multiple SIEMs as required.

Increasing Network Complexity and the requirements of logging for regulatory compliance continue to drive the log management market. Snare capability is being expanded to capture the opportunity for cloud based logging and log management.

A Snare sale can range from several hundred dollars up to several hundred thousand dollars with our average deal size being approximately \$10,000.

In August 2018 we launched Snare Analytics and Snare Threat Intelligence to the market with great initial success. This launch enables us to compete in the broader SIEM and Security Analytics markets for the first time. These products are combined offerings from the Snare product suite as well as the analytics and data onboarding capability from eMite. Sales of Snare Analytics will have a positive impact on both the Snare and eMite P&L's.

Review of Operations & Results of Operations

For the Half Year Ended 31 December 2018

Initial customers include a large Canadian bank, a secure document facility in Europe, a manufacturer in Scandinavia and a pharmaceutical company in the USA. Since the close of the half a large global insurance company in Germany has also become a customer.

These solutions can be either on premises, hosted or pure SaaS. The average deal size to date has been approximately \$75K. A significant increase on the \$10K average deal for Snare agents alone. Driving growth in Snare analytics is a key growth lever for the Snare business going forward.

Snare Analytics also introduces both a subscription option and a hosted and SaaS options for Snare for the first time. By leveraging the eMite data onboarding capability we can not only provide great logging from Snare but we can capture and ingest security data from on premise and cloud based services like AWS & Office 365 and any other source by technologies like XML, API's, JSON, CSV and databases.

Prophecy sells Snare Log Management and Snare Analytics both direct and through partners including resellers and Managed Security Service Providers (MSSP's).

IT Operational Intelligence

This is the origin of the eMite business from before eMite was acquired by Prophecy. We continue to sell IT Ops dashboards and reporting collecting, correlating and aggregating data from multiple disparate systems and applications and delivering real time business value dashboards for IT departments to effectively run their operations.

To date these sales have been primarily large up front perpetual software licences and consulting services. A typical sale involves approximately AUD\$100,000 of consulting services and software licences of approximately AUD\$400,000.

Westpac in Australia, Singapore Stock Exchange in Singapore, Standard Chartered Bank and Cognizant are notable examples of this enterprise solution in use globally. Most sales are sold direct but we continue to work with partners on opportunities. Our goal is to develop a network of consulting services partners capable of delivering this solution worldwide. We have a small number of the Enterprise Opportunities in our pipeline. They are complex custom solutions that generally includes a significant amount of consulting and have a long sales cycle.

We did not capture any new enterprise opportunities with eMite in H1.

Outlook

The strategic imperatives for FY19 remain the same as communicated in the last Annual Report. We continue to be focussed on organic growth and building recurring subscription revenue streams and expanding the markets in which our products are relevant.

The strategies that we employ to achieve these are consistent with last year:

- Optimise sales and marketing coverage and capability – especially scaling through partnerships and indirect channels
- Deliver product innovation - creating new market opportunities
- Improve Customer experience – particularly global support capability
- Improve Business Operations – increase operational efficiency and software development productivity

We have made significant gains in all areas in the first half of the year and our focus is to continue to drive these initiatives to grow both revenues and profit for the remainder of the financial year.

We continue to see subscription revenue build and we expect to see continued improvements in revenue and profit over the short and medium term. We expect to continue to invest appropriately in development of new product offerings and taking them to market globally including the expansion of direct and indirect sales channels.

Directors' Report

For the Half Year Ended 31 December 2018

The directors submit the financial report of the Group for the half year ended 31 December 2018.

1. General information

Information on directors

The names of each person who has been a director during the half year and to the date of this report are:

Ed Reynolds
Leanne R Challans
Matthew Michalewicz
Grant Miles

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

Review of operations

A review of the operations of the Group during the half year and the results of those operations is shown on page 1 of this report.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2018 has been received and can be found on page 6 of the consolidated financial report.

This report is signed in accordance with a resolution of the Board of Directors.

Director:
Ed Reynolds

Director:
Leanne R Challans

Dated this: 25th day of February 2019

Auditor's Independence Declaration

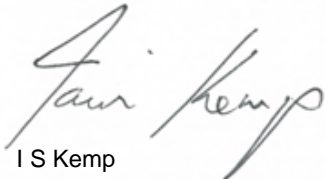
To the Directors of Prophecy International Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Prophecy International Holdings Limited for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 25 February 2019

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Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2018

	31 December 2018 \$	31 December 2017 \$
Revenue from continuing operations	6,120,791	5,886,484
Other income	72,848	24,830
Employee benefits expense	(4,002,830)	(3,312,044)
Depreciation and amortisation	(718,574)	(659,022)
Other expenses	(2,125,524)	(1,551,371)
Finance costs	(1,765)	(1,929)
Profit/(Loss) before income tax	(655,054)	386,948
Income tax expense	(4,752)	(310,117)
Profit/(Loss) from continuing operations	(659,806)	76,831
Profit from discontinued operations	-	2,451
Profit/(Loss) for the half year	(659,806)	79,282
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	(74,329)	11,952
Other comprehensive income for the year, net of tax	(74,329)	11,952
Total comprehensive income for the year	(734,135)	91,234
Profit/(Loss) attributable to:		
Members of the parent entity	(647,769)	90,308
Non-controlling interest	(12,037)	(11,026)
	(659,806)	79,282
Total comprehensive income attributable to:		
Members of the parent entity	(722,098)	102,260
Non-controlling interest	(12,037)	(11,026)
	(734,135)	91,234
Earnings per share		
From continuing and discontinued operations:		
Basic earnings per share (cents)	(1.01)	0.14
Diluted earnings per share (cents)	(1.01)	0.14
From continuing operations:		
Basic earnings per share (cents)	(1.01)	0.12
Diluted earnings per share (cents)	(1.01)	0.12
From discontinued operations:		
Basic earnings/(loss) per share (cents)	0.00	0.00
Diluted earnings per share (cents)	0.00	0.00

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Financial Position

As At 31 December 2018

	31 December 2018 \$	30 June 2018 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,272,602	2,599,684
Trade and other receivables	3,210,928	2,745,098
Contract assets	9,000	9,000
Current tax receivable	442,093	347,132
Other assets	395,724	325,040
TOTAL CURRENT ASSETS	6,330,347	6,025,954
NON-CURRENT ASSETS		
Trade and other receivables	7,975	7,617
Property, plant and equipment	238,784	242,198
Deferred tax assets	373,990	421,386
Intangible assets	16,060,535	16,734,346
TOTAL NON-CURRENT ASSETS	16,681,284	17,405,547
TOTAL ASSETS	23,011,631	23,431,501
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	887,344	1,068,306
Employee benefits	757,601	696,760
Deferred income	3,976,823	3,552,711
TOTAL CURRENT LIABILITIES	5,621,768	5,317,777
NON-CURRENT LIABILITIES		
Deferred tax liabilities	688,021	669,717
Employee benefits	111,308	119,338
TOTAL NON-CURRENT LIABILITIES	799,329	789,055
TOTAL LIABILITIES	6,421,097	6,106,832
NET ASSETS	16,590,534	17,324,669
EQUITY		
Issued capital	28,469,564	28,469,564
Reserves	(336,996)	(262,667)
Retained earnings/(Accumulated losses)	(11,243,806)	(10,596,037)
Total equity attributable to equity holders of the Company	16,888,762	17,610,860
Non-controlling interest	(298,228)	(286,191)
TOTAL EQUITY	16,590,534	17,324,669

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2018

31 December 2018

		Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
	Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018		28,469,564	(10,596,037)	(387,492)	124,825	(286,191)	17,324,669
Profit/(Loss) attributable to members of the parent entity		-	(647,769)	-	-	-	(647,769)
Profit attributable to non-controlling interests		-	-	-	-	(12,037)	(12,037)
Total other comprehensive income for the year		-	-	(74,329)	-	-	(74,329)
Balance at 31 December 2018		28,469,564	(11,243,806)	(461,821)	124,825	(298,228)	16,590,534

31 December 2017

		Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
	Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017		28,469,564	(9,865,843)	(354,044)	124,825	(224,999)	18,149,503
Profit attributable to members of the parent entity		-	90,308	-	-	-	90,308
Profit/(Loss) attributable to non-controlling interests		-	-	-	-	(11,026)	(11,026)
Total other comprehensive income for the year		-	-	11,952	-	-	11,952
Balance at 31 December 2017		28,469,564	(9,775,535)	(342,092)	124,825	(236,025)	18,240,737

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2018

	31 December 2018 \$	31 December 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	6,113,116	5,088,853
Payments to suppliers and employees	(6,330,032)	(5,056,260)
Interest received	3,302	3,425
Income taxes paid	(95,145)	(439,482)
Net cash used in operating activities	<u>(308,759)</u>	<u>(403,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(37,647)	(34,797)
Development expenditure	-	(370,718)
Net cash used in investing activities	<u>(37,647)</u>	<u>(405,515)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase/(decrease) in cash and cash equivalents held	(346,406)	(808,979)
Cash and cash equivalents at beginning of year	2,599,684	3,316,579
Effects of foreign exchange rates on overseas cash holdings	19,324	(203,954)
Cash and cash equivalents at end of the half year	<u>2,272,602</u>	<u>2,303,646</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2018

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2018 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Prophecy International Holdings Limited and Controlled Entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except as mentioned below.

New, revised or amending Accounting Standards and Interpretations Adopted

The consolidated entity as a group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below.

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The consolidated entity as a group reclassifies debt investments when and only when its business model for managing those assets changes.

From 1 July 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The group has assessed the impact of the impairment model and no adjustment was required in the group's financial statement.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2018

1 Basis of Preparation continued

AASB 15 Revenue from Contracts with Customers

The group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below.

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Some contracts include multiple deliverables, such as the sale of licences and maintenance. These are accounted for as a separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Licences that grant the user a right to use the product are recorded when access is granted. Licences that grant the user a right to access the product are recorded over the access period.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

31 December	30 June
2018	2018
\$	\$

2 Leasing Commitments

Operating leases

Minimum lease payments under non-cancellable operating leases:

- not later than one year	382,849	252,962
- between one year and five years	800,539	162,288
	1,183,388	415,250

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 2021

The Prophecy America's Inc. lease terminates on 31 May 2022

3 Dividends

No dividend proposed for the Half Year (2017: Nil)

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Notes to the Financial Statements

For the Half-Year Ended 31 December 2018

4 Operating Segments

(a) Segment performance

	Legacy		Snare		eMite		Total	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
External sales	595,244	572,391	3,918,574	3,539,885	1,603,671	1,770,784	6,117,489	5,883,060
Other revenue	1,134	2,004	77	91	2,091	1,329	3,302	3,424
Total segment revenue	596,378	574,395	3,918,651	3,539,976	1,605,762	1,772,113	6,120,791	5,886,484
Segment operating profit	(288,282)	(341,180)	1,110,315	1,269,260	(1,477,087)	(541,132)	(655,054)	386,948

(b) Segment assets

	Legacy		Snare		eMite		Total	
	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June
	2018	2018	2018	2018	2018	2018	2018	2018
	\$	\$	\$	\$	\$	\$	\$	\$
Segment assets	35,418,604	33,758,184	5,347,650	5,016,136	2,379,777	2,157,323	43,146,031	40,931,643

Notes to the Financial Statements

For the Half-Year Ended 31 December 2018

4 Operating Segments continued

(c) Reconciliations

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.

	31 December 2018	31 December 2017
	\$	\$
Segment net operating profit	(655,054)	386,948
Profit from discontinued operations	-	2,451
Income tax expense	(4,752)	(310,117)
Total net profit after tax	(659,806)	79,282

5 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%) [*] 31 December 2018	Percentage Owned (%) [*] 30 June 2018
Subsidiaries:			
Intersect Alliance 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.

6 Contingencies

There has been no change in contingent liabilities since the last annual reporting period.

7 Events Occurring After the Interim Period

No matters or circumstances have arisen since the end of the financial half 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.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

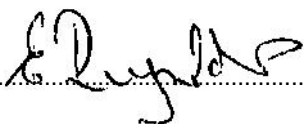
Directors' Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 7-14 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
2. 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



Dated this 25th day of February 2019

Independent Auditor's Review Report

To the Members of Prophecy International Holdings Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Prophecy International Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated condensed statement of financial position as at 31 December 2018, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Prophecy International Holdings Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prophecy International Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

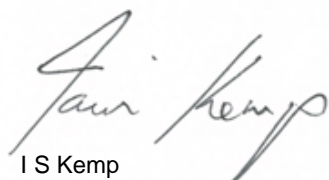
A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards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

Independence

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 25 February 2019