# 2019
# 2020
annual report

Prophecy International Holdings Limited

# Corporate Directory

## For the Year Ended 30 June 2020

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ACN 079 971 618
ABN 16 079 971 618

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**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 2020

Prophecy is an Australian based global software company developing innovation for global markets in the SaaS/Cloud, cyber security and big data/analytics markets. The company is headquartered in Adelaide and has offices in Sydney, Denver USA, Manila in the Philippines 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 digital 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 3,000 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 customers' 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, 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, complements existing SIEM deployments or acts as a self contained SIEM for various segments and use cases.

The SNARE product suite is comprised of several components:

- Snare 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 that can be deployed in the cloud or on premise.
- A SIEM alternative from Snare Central 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 2020

**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 require 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. Our primary segment is the cloud contact centre market enhancing customers investment in Genesys or Amazon solutions.

eMite's value includes:

- in cloud or on premise 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 and historical dashboards & reports, helps to break down traditional information silos, enabling organisations to make faster, better and more insightful decisions.

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

**Prophecy International Holdings Limited and Controlled Entities**
**ABN: 16 079 971 618**

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# Message from the CEO

## For the Year Ended 30 June 2020

**Letter to Shareholders**

At Prophecy our vision is to find the best of emerging Australian software and take it to the world through our global operations. We look for software or SaaS solutions that provide value for our customers with broad market appeal. We are proud to be conducting all R&D in Australia and taking Australian technology innovation to the world.

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.

**COVID19**
Any commentary on FY20 cannot be made without acknowledging the impact of COVID 19. At Prophecy we had experienced a significant growth result at the end of the first half and were well positioned for this to continue prior to the impact of COVID19.

As a globally dispersed technology company we were in a strong position to leverage the tools and systems that we had in place to immediately move to secure remote working for all staff globally. We did this quickly for our office locations in Australia, the US and Manila. In the UK our team was already working remotely. I am very pleased to say that this was managed seamlessly and had very little impact on business operations.

More significant was the uncertainty that was created by COVID19 from March 2020 that persists to today. The global uncertainty and the significant loss of life from COVID19 in some countries and geographies did have a material impact on the business. We saw global decision making on investments and purchases slow significantly, causing delays in customer signings, we also saw projects delayed causing an impact on the speed of roll out on some eMite deals, also slowing our ability to invoice customers and collect revenue.

We estimate that we experienced approximately a 30% decrease in sales and invoicing during this initial high impact COVID period from March 2020 onwards.

**Analysis of full year results**

The 2019 - 2020 financial year has been one of generally pleasing sales and revenue growth for the Prophecy Group despite the challenges presented by the global COVID19 Pandemic.

Total revenue was $13.748M up from $12.114M in last fiscal year. Given the macro-economic conditions created by COVID 19 this has been a pleasing result. This included other revenue of $125,897 with revenue from sales of $13.594M.

This revenue growth has been predominately from increased Snare sales and renewals. eMite has maintained revenue and did increase year on year. The size of the increase was limited primarily due to the falling away of some of our early SMB customers with Genesys and delays in roll outs of some of our newer larger customers especially in the >1,000 seat segment. We have also had to roll back some revenue due to a dispute with Genesys over timing of initial customer invoicing and “ramp” periods.

| | FY19 | FY20 | Change |
|---|---|---|---|
| Sales Revenue | 12,107,320 | 13,594,435 | Up 12% |
| EBITDA | 87,136 | 295,347 | Up 239% |
| Dividend Declared | - | $0.005 | $0.005 |
| Operating Cash Flow | 1,952,633 | 1,158,619 | Down 41% |
| Cash at bank | 4,375,635 | *4,398,723 | Up .5% |
| Debt | - | - | N/A |

# Message from the CEO
## For the Year Ended 30 June 2020

Cash on hand was $4.399M against $4.376M this time last year and the company remains debt free and cash flow positive. We also paid a half cent ($0.005) dividend at the end of H1 as we had experienced very strong results in H1 before the impact of COVID19.

The completion of the R&D tax incentive this year does not result in return of tax paid and will have no impact on cash this year but will reduce the overall total tax payable by the group.

Operating Cashflow decreased from $1.953M last year to $1.159M this year, forward booked revenue being booked in advance was $4.562M.

We are also not capitalising R&D expenses and all costs flow through to the P&L.

**Intangible asset write down**

COVID19 has also been the trigger for a review of the value of the intangible assets held by the group and due to the impacts experienced in H2 and the ongoing uncertainty about the speed of project roll out impacting revenue over the next 12 months, the board feels that it is sensible to write down the book value of the intangible assets relating to eMite by an amount of $4.67M.

This write down has no impact on cash, cash flow or the EBITDA results.

As a result of this write down the operating profit changes to an accounting loss of $5.5M

**Awards**

In FY20 Prophecy proudly won the SA Business Export Award for Technology and Innovation. We were also a national finalist for the Austrade Export Awards. We are very proud of our place as a technology Exporter and see these awards as recognition of the great work that our product, sales and marketing teams do to get great Aussie technology into the hands of customers globally.

**Business Strategy**

As stated for the last three years our strategy is one for growth. We consider ourselves to be a growth company and are looking to grow both top line revenue and improved bottom line profit. I am pleased to be able to report that we have achieved both despite the challenges of COVID19.

For the last 3 years we have been focussed entirely on organic growth and on integrating the business into a single organisation that can scale. As we move into the 2021 financial year, we will expand our growth ambitions to include looking for suitable acquisition opportunities with a particular focus on Cyber Security products that align well with Snare.

Our growth plan has continued to be based on the initiatives outlined below:

- Product innovation – continuous improvement of our products and platforms, adding value and entering new markets
- Transitioning to annuity revenue and SaaS offerings where practical and generating recurring revenue
- Improving our customer experience – minimising churn, maximising renewals, keeping our customers and creating advocates
- Optimising our sales and marketing – increasing coverage, channels and capability
- Improving our operational efficiency – running the business well and managing our costs
- Acquisitions that are synergistic with eMite or Snare

The leadership team has been stable, however we have made some significant additions in the last year and we continue to expand our global team to address opportunities that arise in the market and to pursue our growth objectives.

Our support team has also grown again in the last year as we move to a 24x7 support model that is demanded by our Enterprise customers. We have also expanded our sales organisation to a true regional model with regional Sales VP's and sales teams in APAC, EMEA and the Americas.

# Message from the CEO

## For the Year Ended 30 June 2020

Jamie Lind has taken responsibility as VP Sales for EMEA and we have built our team in Europe to target the growth opportunities we see there. Paul Herbka has taken responsibility for product development as VP Product Management based in Denver, John Pappas has joined as VP Sales for the Americas as Peter Barzen has moved into the VP Global Strategic Alliances role. Paul, John and Peter are all based in our Denver, Colorado office. Jamie, Paul and John all have years of experience growing high tech companies around the globe and are making a significant contribution to the business.

Our focus has been to increase the numbers of resources on the ground in Europe and we now have dedicated teams based in the UK focussed on both Snare and eMite. We have a total of 6 staff now in Europe and EMEA will continue to be an area of focus in FY21.

The team addressing the Government segment in the US has been doubled with an additional experienced sales representative focussed on Federal and Defence business in the US and our existing Government rep moving to a State, Local & Education focus.

We continue to see significant opportunities in the MSSP (Managed Security Services) segment and have grown our existing partnerships and have a pipeline of new partnerships and targeted Snare product offerings for this channel.

I expect additional investment in partnerships in FY21 for both product groups.

**R&D**

All R&D is done in Australia for the group although we have a small number of developers in Manila working under the direction of our Australian team and leadership.

We have again been successful in obtaining the Federal Government R&D Grant in FY20.

On the Snare side in FY20 our most significant release was Snare Central version 8.2. Version 8 was a significant platform upgrade to the latest version of Ubunto and Snare 8.2 introduces a whole new modern look and feel and improvement in the user experience.

A number of new features have also been released in Snare Logging Agents and we continue to innovate across the Snare platform.

**Snare**

Snare customers consistently tell us that as the financial and reputational consequences of data breaches, cyber threats like malware and ransomware, and the constant risks from insider threats increase, that they have urgent and ongoing requirements for maintaining regulatory compliance, auditing and managing cyber threat detection and response. Security breaches are expensive, with the annual Ponemon Institute's Cost of a Data Breach report indicating the average cost to Australian organisations is currently $2.13M, averaged 19,800 records at a cost of $100 per record and took on average 281 days to identify and contain.

Snare is an extensive suite of Centralised Log Management (CLM), Security Analytics and SIEM like tools designed to address these requirements. Snare is a great SIEM alternative.

Log Management is a critical security control that is recommended or mandated by various bodies, standards and compliance regulations that include the Australian Government (Information Security Manual) ISM, Centre for Internet Security (CIS), ISO27001 Information Security Standard, NIST (National Institute of Standards and Technology) 800-171.

Compliance requirements can include any number of regulatory mandates including PCI-DSS, Sarbanes Oxley, HIPAA, NERC, GDPR and more. This makes Snare a high value solution for companies in the Government, Defence and Military sectors, Banking, Finance and Insurance, Retail, Health, Energy, Oil & Gas markets.

They also tell us that existing solutions like traditional Security Incident and Event Management (SIEM) systems are complex to implement and maintain, require specialised technical resources or are increasingly unaffordable or variable in their pricing.

From Enterprise Log and Event Collection Agents for Windows, Unix, Linux, OSX, Flat files and Databases to a complete forensics and long-term log storage platform, agent management console, multipoint log reflector, advanced log analytics and SIEM alternative capability, either hosted or on prem with both Opex and Capex pricing models, Snare is a one stop shop for Centralised Log Management (CLM) and an alternative for traditional SIEM solutions.

# Message from the CEO
## For the Year Ended 30 June 2020

**Centralised Log Management**
- Snare Enterprise Log Collectors (Agents)
- Snare Reflector
- Snare Agent Management Console
- Snare Central Server (Log storage, reporting, alerting, analytics, and archiving)

**Advanced Functionality**

- FIM/FAM - File Integrity and File Access Monitoring
- RIM/RAM - Registry Access and Integrity Monitoring
- TLS Auth – remote agent log encryption for remote worker scenarios
- FIPS Compliance – strong encryption

These products can be bought independently or combined into a complete solution. You can also “mix and match” with your current security technologies, leveraging your existing investments. Snare has been designed to work well with others and plays a strong role in assisting our customers manage and reduce their SIEM costs.

> “We saved almost double of what we pay for the full Snare enterprise solution from the reduced ingestion for our SIEM in the first year! We like having the ability to have more control over our growing SIEM costs.”
> **Large American Energy Company**

We have continued to invest and expand the capability of the Core Snare Agent technology and have a strong roadmap of product releases in the pipeline.

Snare has achieved Veracode Verified status. Veracode verifies the security development process around the application. This is achieved through static code analysis and ensures that there are no security flaws in the software.

**Snare Key Statistics**
- New Sales contracts up to $6.832M from $6.046M – 13% increase
- $10,915 Average Deal Size – up from $8,648 – a 26% increase
- Sales in 24 Countries
- 202,000 Software Agents sold

**Key Customer Wins**
- Gemalto - UK
- Metlife - USA
- Chicago Mercantile - USA
- QBE Group - USA
- Principal Financial - USA
- Raytheon - USA

**eMite**

Identifying the cause of a poor sales or service experience from contact centres is difficult, as it typically involves data that is scattered across multiple isolated systems. Without a good understanding of the true problems, companies spend energy fixing the wrong things or addressing problems that aren’t really there, effectively wasting millions of dollars and countless hours of employee time.
Our customers ask us:
- I have terabytes of customer data, but it’s a mess; where do I start?
- We want a tool that everyone in the business can use and understand, but which one do we choose?
- How do I leverage my data to uncover real customer pain points?
- What do I do with my legacy CRM and years of historical customer data?

Companies increasingly rely on multiple systems and technologies to try to deliver great customer experiences. Multi-channel contact center software leveraging voice, chat, email and social along with CRM, Service Desk, Speech Analytics and Customer Surveys are used to deliver a great experience to customers.

# Message from the CEO
## For the Year Ended 30 June 2020

Creating and managing Key Performance Indicators from across multiple systems is difficult, time consuming, often a manual process and constantly requires change and adjustment. This is why eMite developed our CX Intelligence Platform. Alternative tools often attract high costs of licensing, require expensive technical resources to implement and lack the embedded knowledge of contact centre operations. In addition to taking months to implement, this approach yields an incomplete understanding of the issues.

FY20 has seen a continuation of the eMite focus on the contact centre with new sales coming from our partnership with Genesys and Amazon Connect from Amazon Web Services (AWS), Genesys and Amazon reseller partners. We have continued to expand our offerings in the Genesys marketplace and have "out of the box" capability for Genesys Cloud (PureCloud), PureConnect and Genesys Engage (PureEngage).

Value is realised quickly through a solution that can be deployed in hours and is available immediately with built in knowledge of contact centre operations. eMite CX Intelligence is both a product and a platform and is designed to meet the most complex needs of large contact centre operators through its extensibility and powerful customisation and configuration capability.

CX Intelligence allows customers to aggregate and correlate data from multiple disparate systems like the Contact Centre, CRM, Service Desk and Surveys to provide real insight into Customer Experience and business operations.

> *"During our peak season, we were able to reduce our costs by $200,000 through increased efficiency because of eMite. Not only is eMite convenient, it also helps with cost savings."*
> *US based customer*

In late FY19 we also launched eMite CX Intelligence for Amazon Connect and have seen early success with new customer acquisition on this platform. In FY20 we acquired 20 new customers on the Amazon Connect platform. Amazon Connect is a self-service, cloud-based contact centre service that makes it easy for any business to deliver better customer service at lower cost. Amazon Connect is based on the same contact centre technology used by Amazon customer service associates around the world to power millions of customer conversations.

**eMite Key Statistics**
- New sales contracts up to $2.800M up from $2.357M
- Total Contract Values up to $4.239M up from $3.910M
- Sales in 11 Countries in Americas, EMEA and APAC.
- USA accounting for more than 50% of sales (Americas 55.4%, APAC 24.9% and EMEA 19.7%)

**Key Customer Wins**
**Genesys**
- 1800 Flowers - USA
- AT&T/Dyson Industries – UK
- Philip Morris – EMEA
- Edelman Financial Engines - USA
- Steris Corporation - USA

**Amazon Connect**
- Goldman Sachs - USA
- Fidelity Investments - USA
- National Australia Bank - Australia
- Telstra Corporation - Australia
- LA Sanitation - USA

It's important to note that in FY20 we had no large enterprise perpetual license sales and have effectively moved away from this market although we have a handful of legacy enterprise customers that are still paying maintenance on their software.

**Changing Market Dynamics**
We do see a move up market into Large Enterprise in the Cloud Contact Centre market. 3 years ago it was very much targeted at the SMB segment however as this market matures we see larger and larger customers migrating to the cloud.

As a result we see a change of focus with eMite towards large Enterprise customers with more sophisticated requirements for analytics, KPI's and data correlation. We have also seen a number of our original SMB customers fall away as Genesys has introduce a better level of reporting that meets the simpler requirements of the SMB segment.

# Message from the CEO
## For the Year Ended 30 June 2020

As we were rolling out our initial very large Amazon Connect customers we encountered new requirements that were particular to the AWS/AmazonConnect solution. This meant we had to expand the capability of the eMite platform and this did add some delays in the speed of the roll out for customers like Goldman's and Fidelity, which had a flow on impact on revenue in H2.

eMite continues to evolve and only 3 years ago we were locked to a single vendor with Genesys, in the last year we have released offerings for both Amazon Connect and Avaya and I expect that we will further expand our offerings and partnerships in FY21. eMite will move from a vendor based analytics tool for contact centres to a vendor agnostic tool over the next few months.

The commencement of this goal can already be seen in the migration offerings that we have in market currently – migrating from Avaya to Genesys Cloud, PureConnect and Genesys Cloud, or from any of these platforms to Amazon Connect.

This will give customers that ability to run multiple underlying contact centre platforms at once (either in the cloud or on premise) or to migrate from one platform to the other with no interruption in the operational and management data coming from their systems.

**Partnerships**

Our strategy of scaling through partnerships and indirect channels delivers a growing percentage of revenues. To add significant focus on this segment Peter Barzen who was VP for North America has moved into the VP Global Strategic Alliances role to drive better engagement with our strategic partners as well as having a focus on new strategic partner acquisition.

Our partnership with Genesys in the eMite/Contact Centre market continues to mature as we see both continued sales, especially in the largest size customers, as well as increased contract terms. The challenge with this relationship has been some of the operational challenges that we have experienced with contract management, accurate billing and clear communication about the status of our joint customers. Genesys has also offered extended "ramp" periods to some large customers and this resulted in a slower take up of services contributing to lower revenues in the initial contract period.

Many Genesys partners will buy eMite through Genesys on Genesys paper but for those partners that want to add value and extend the eMite platform we want to have a direct relationship. We have a number of direct partnerships including Datacom, NTT (Dimension Data) and QPC in Australia, Convergeone, CPI.Solutions, Altivon and AVDS in the US, NTT, Foehn, Advania and Wren Data in Europe and the UK.

In the Amazon connect market we have both VoiceFoundry as global partner and Cloudwave in Australia as partners and in FY20 we will pursue partnership opportunities with other Amazon Connect Partners in both the US and Europe and have large initial opportunities with some very large SI partners in the Amazon Connect market space.

Our initial experience with Amazon Connect customers indicates that it is large enterprise that is adopting Amazon Connect and as a result the deal sizes can be very large and much larger on average than our existing Genesys customer base.

We also expect to add at least one additional vendor partnership similar to our relationship with Genesys and Amazon in the first half of FY21.

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

Our existing relationships with ATOS, Secureworks, Verizon and NTT continue to deliver results and an increasing percentage of our SNARE revenue is generated through partnerships. The Managed Security Service Provider (MSSP) market is critical as cyber security professionals continue to be difficult to find and increasingly more expensive to hire as a result of a global skills shortage.
Current estimates indicate more than 3 million roles that remain unfilled globally due to a lack of skilled resources.

Our current MSSP partners are more US centric and we are focussed on expanding our partnership to be more global in nature especially in EMEA and APAC.

In FY20 we saw increased contribution from the indirect channels, as revenue grew from $4.022M to $4.692M
- a 14.5% increase driven by an increase in sales by expanding the number of partners, the geographies covered by those partners and the number of Snare products sold by those partners as well as partners selling into larger accounts.

# Message from the CEO
## For the Year Ended 30 June 2020

**Market focus**

In a period of global disruption due to COVID19 we are thankful that we have chosen to serve global large enterprise and government markets. Not being limited to a single country or geography and with a focus on essential services segments we have been able to withstand some of the pressures inflicted by COVID19 and have delivered a pleasing and positive result.

eMite's market is the cloud contact centre market. Currently valued by researchandmarkets.com at USD$13.2B per year and growing at 24.6% CAGR. This migration to the cloud is a significant trend that eMite is riding. We expect that COVID19 will accelerate migrations to the cloud over the next few years as customers are looking for increased flexibility and lower costs than the legacy "on premise" platforms allow, especially for the enablement of remote workers providing services from their home.

The contact centre analytics market - a subset of the greater market – is estimated to be worth USD$2.9B and is growing at a CAGR of 16.1% – according to marketsandmarkets.com.
The Cyber security market continues to grow 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 technology delivers IT Security and Log Management capability in the SIEM and security analytics market globally in a number of key verticals and market segments.

Most notable for SNARE are:

- Government, Defence and Military
- Banking & Finance
- Oil & Gas
- Utilities and Power
- Retail
- Health

The global log management market is approximately a USD$3.3B per annum market by 2025 and is reported at growing at a CAGR of 11.2% according to KBV Research. Marketsandmarkets.com estimates a CAGR of 14.1%. The Security Analytics market will reach USD$28.5B by 2027 and is growing at CAGR of 24.3% according to Fortune Business Insights. The growth of the market can be attributed to the continuous evolution of cyberattacks and need for network performance management and optimization solutions to efficiently manage today's complex networking environments.

We have remained 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.

**Legacy Products**

There is no development or sales of any of the legacy products including Prophecy Classic or eFoundation and only a small number of customers continue to require maintenance. It is expected that these customers will continue to migrate to other solutions over the next few years and this last small legacy revenue stream will eventually reduce down to zero.

**Scope of Operations**

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

We currently have 78 staff across our global offices

We have customers on every continent.

# Message from the CEO
## For the Year Ended 30 June 2020

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.

The US continues to be our largest market and contributes most of our revenue. This year the US delivered 74% of our revenue and grew at 18.2% over last year. We now have 21 staff in the US and it's our largest single office globally although we have more in our two offices in Australia.

### Summary

As we have stated before, we operate in vibrant and growing but competitive 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. At Prophecy we continue to fund our growth from the cash flows of the business.

In FY20 we continue to prove that we can compete with global competitors on their own turf.

We continue to build our global team of committed individuals that want to lead the market, build something great and show the world that we have some of the best Australian innovative technology available. I would like to thank all our team for the tremendous effort over the last year.

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

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

**Brad Thomas OAM**
Chief Executive Officer

# Directors' Report

## For the Year Ended 30 June 2020

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 2020.

### 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 | 7,770,000 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<br>Grant was appointed Company Secretary of Prophecy in May 2013 and a Director in May 2015. Grant has over 30 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 |

**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.<br>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.<br>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.<br>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 (Resigned October 2019)<br>LBT Innovations Limited (Resigned September 2018) |

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

# Directors' Report

## For the Year Ended 30 June 2020

**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 of the Group amounted to $5,926,348 up 343% on the 30 June 2019 result.

The consolidated loss after tax of the Group amounted to $5,493,984 this represented a 278% increase on the results reported for the year ended 30 June 2019.

**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**

No significant changes.

**Dividends paid or recommended**

An interim unfranked ordinary dividend of 0.5 cents was paid in March 2020. No full year dividend has been 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 | 10 | 10 | - | - |
| 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 $51,219 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 199C 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 2020:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Taxation services | **27,700** | 25,422 |

#### 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 key management personnel, 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 valued 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 $310,000 in the 2019/20 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 (other key management personnel)**

| | |
|---|---|
| Brad Thomas (Appointed 26 September 2016) | CEO – Prophecy Group |
| Peter Barzen (Appointed 1 September 1999) | EVP Global Strategic Alliances |
| Stuart Geros (Appointed 1 July 2015) | CINO – Prophecy Group |
| Steve Challans (Appointed 1 July 2017) | CISO – Prophecy Group |
| Stephen Irecki (Appointed 1 November 2018) | Director, Global Customer Operations |

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.

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Revenue | 13,748,332 | 12,113,982 | 10,676,203 | 9,188,005 | 12,333,897 |
| Profit/(Loss) before tax | (5,926,348) | (1,339,152) | (841,060) | (610,585) | 3,386,410 |
| Profit/(Loss) after tax | (5,493,984) | (1,454,825) | (791,386) | 1,955,795 | 2,416,038 |
| Profit/(Loss) attributable to members after tax | (5,504,703) | (1,398,949) | (730,194) | 1,975,519 | 2,402,233 |
| Share price at year-end | 0.79 | 0.28 | 0.43 | 0.51 | 1.15 |
| Dividends paid (cents) | 0.50 | 0.00 | 0.00 | 2.00 | 4.20 |
| Net tangible assets per share (cents) | 0.010 | 0.006 | 0.009 | 0.014 | (0.003) |

**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/rights.

| | | Performance based remuneration | | |
|---|---|---|---|---|
| | | Bonus | Shares | Options / rights |
| | | % | % | % |
| **KMP** | | | | |
| Brad Thomas | CEO – Prophecy Group | - | - | - |
| Peter Barzen | EVP Global Strategic Alliances | 47% | - | - |
| Stuart Geros | CINO – Prophecy Group | 10% | - | - |
| Steve Challans | CISO – Prophecy Group | 4% | - | - |
| Stephen Irecki | Director, Global Customer Operations | 7% | 5% | - |

**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 key management personnel 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.

**Remuneration details for the year ended 30 June 2020**

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

# Directors' Report
## For the Year Ended 30 June 2020

### 3. Other items continued

**Remuneration report (audited) continued**

**Remuneration details for the year ended 30 June 2020 continued**

**Table of benefits and payments**

| Director and other Key Management Personnel | | Short-term employee benefits | | | | | Post-employment benefits | Long-term benefits | Share-based payments | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | **Year** | **Cash salary Fees $** | **Cash bonus $** | **Consulting fees $** | **Non-monetary benefits $** | **Health care & Allowances $** | **Superannuation $** | **Long Service Leave $** | **Shares $** | **Total $** | **Performance based on % of remuneration** |
| **Ed Reynolds** | **2020** | **39,000** | **-** | **68,346** | **-** | **-** | **3,705** | **-** | | **111,051** | **-** |
| | 2019 | 39,000 | - | 73,596 | - | - | 3,705 | - | - | 116,301 | - |
| **Leanne Challans** | **2020** | **70,000** | **-** | **42,700** | **-** | **-** | **10,707** | **-** | **-** | **123,407** | **-** |
| | 2019 | 70,000 | - | 26,985 | - | - | 9,214 | - | - | 106,199 | - |
| **Matthew Michalewicz** | **2020** | **70,000** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **70,000** | **-** |
| | 2019 | 70,000 | - | - | - | - | - | - | - | 70,000 | - |
| **Grant R Miles** | **2020** | **70,000** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **70,000** | **-** |
| | 2019 | 70,000 | - | - | - | - | - | - | - | 70,000 | - |
| **KMP** | | | | | | | | | | | |
| **Brad Thomas** | **2020** | **272,500** | **-** | **-** | **12,079** | **-** | **25,000** | **6,399** | **-** | **315,978** | **-** |
| | 2019 | 272,500 | - | - | 3,624 | - | 25,000 | 3,716 | - | 304,840 | - |
| **Peter Barzen** | **2020** | **186,811** | **218,587** | **-** | **(8,257)** | **33,210** | **31,393** | **-** | **-** | **461,744** | **47%** |
| | 2019 | 198,069 | 214,743 | - | 1,918 | 36,344 | 51,858 | - | - | 502,932 | 43% |
| **Stuart Geros** | **2020** | **250,005** | **33,953** | | **18,839** | **-** | **25,000** | **8,143** | **-** | **335,940** | **10%** |
| | 2019 | 250,005 | - | - | 8,865 | - | 23,750 | 6,476 | - | 289,096 | - |
| **Steve Challans** | **2020** | **180,875** | **9,526** | **-** | **11,568** | **-** | **18,088** | **13,460** | **-** | **233,517** | **4%** |
| | 2019 | 156,501 | 20,386 | - | 2,775 | - | 16,804 | 7,585 | - | 204,051 | 10% |
| **Stephen Irecki** (Appointed 1 November 2018) | **2020** | **217,984** | **19,160** | **-** | **5,036** | **-** | **-** | **2,252** | **13,300** | **257,732** | **12%** |
| | 2019 | 138,775 | 5,506 | - | 5,771 | - | 4,513 | 1,445 | - | 156,010 | 4% |
| **Christine Bishop** (Terminated 31 October 2018) | 2019 | 93,628 | - | - | - | - | 7,015 | - | - | 100,643 | **-** |
| **2020 Total** | **2020** | **1,357,175** | **281,226** | **111,046** | **39,265** | **33,210** | **113,893** | **30,254** | **13,300** | **1,979,369** | |
| 2019 Total | 2019 | 1,358,478 | 240,635 | 100,581 | 22,953 | 36,344 | 141,859 | 19,222 | - | 1,920,072 | |

### 3. Other items continued

**Remuneration report (audited) continued**

**Remuneration details for the year ended 30 June 2020 continued**

The remuneration detailed above for Ed Reynolds includes director's fees of $100,000 and consulting fees of $7,346 (2019 – director's fees $100,000 and consulting fees $12,596) of which $68,346 was paid to Reyer Investments Pty Limited, a company in which Ed Reynolds is a director and shareholder.

Grant R Miles director's fees of $70,000 were paid to Moore Stephens (SA) Pty Ltd ($60,000) and Rickaby Holdings Pty Ltd ($10,000) both companies directed by Grant R Miles.

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 bonuses for Stuart Geros, Steve Challans and Stephen Irecki relate 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.

**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 93% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2019. 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.

# Directors' Report

## For the Year Ended 30 June 2020

### 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 | Granted as Remuneration | Acquisitions | Disposals | Other Changes | Balance at end of year |
|---|---|---|---|---|---|---|
| **30 June 2020** | | | | | | |
| Ed Reynolds | **7,770,000** | - | - | - | - | **7,770,000** |
| *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 | **86,681** | - | - | - | - | **86,681** |
| Peter Barzen | **900,000** | - | 45,882 | - | - | **945,882** |
| Stuart Geros | **1,818,177** | - | 7,800 | (123,312) | - | **1,702,665** |
| *Steve Challans | **774,880** | - | - | - | - | **774,880** |
| Stephen Irecki) | **-** | 19,000 | - | **-** | - | **19,000** |
| | **12,374,618** | **-** | **72,682** | **(123,312)** | **-** | **12,323,988** |

*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 $36,287 (2019: $20,926).

PYC Inc a company Peter Barzen is a partner in, has a profit share agreement with Snare Alliance who received royalties during the 2019/2020 year of $11,902.

***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 2020

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2020 has been received and can be found on page 23 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
**Chairman**

Leanne Challans
**Director**

Dated this 29 day of September, 2020

Level 3, 170 Frome Street
Adelaide SA 5000

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GPO Box 1270
Adelaide SA 5001

**T** +61 8 8372 666
**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 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 29 September 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the Year Ended 30 June 2020

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| Revenue | 3 | **13,594,435** | 12,107,320 |
| Other income | | **153,897** | 6,662 |
| Employee benefits expense | | **(8,874,482)** | (7,998,286) |
| Depreciation and amortisation expense | 4 | **(1,864,945)** | (1,426,213) |
| Impairment expense – intangible assets | 4 | **(4,670,746)** | - |
| Other expenses | 4 | **(4,230,938)** | (4,024,317) |
| Finance costs | | **(33,569)** | (4,318) |
| **Loss before income tax** | | **(5,926,348)** | (1,339,152) |
| Income tax benefit/(expense) | 5 | **432,364** | (115,673) |
| **Loss for the year** | | **(5,493,984)** | (1,454,825) |
| **Other comprehensive income, net of income tax** | | | |
| **Items that may be reclassified to profit or loss** | | | |
| Exchange differences on translating foreign controlled entities, net of tax | | **35,077** | (81,869) |
| **Other comprehensive income for the year, net of tax** | | **35,077** | (81,869) |
| **Total comprehensive income for the year** | | **(5,458,907)** | (1,536,694) |
| Profit/(Loss) attributable to: | | | |
| Members of the parent entity | | **(5,504,703)** | (1,398,949) |
| Non-controlling interest | | **10,719** | (55,876) |
| | | **(5,493,984)** | (1,454,825) |
| Total comprehensive income attributable to: | | | |
| Members of the parent entity | | **(5,469,626)** | (1,480,818) |
| Non-controlling interest | | **10,719** | (55,876) |
| | | **(5,458,907)** | (1,536,694) |
| **Earnings per share** | | | |
| From continuing operations: | | | |
| Basic earnings per share (cents) | 9 | **(8.60)** | (2.19) |
| Diluted earnings per share (cents) | 9 | **(8.60)** | (2.19) |

*The accompany 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 30 June 2020

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 10 | **4,398,723** | 4,375,635 |
| Trade and other receivables | 11 | **2,903,934** | 2,215,034 |
| Other assets | 12 | **512,242** | 342,839 |
| TOTAL CURRENT ASSETS | | **7,814,899** | 6,933,508 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 11 | **8,201** | 8,026 |
| Property, plant and equipment | 14 | **353,924** | 251,443 |
| Right to use assets | 16 | **1,280,960** | - |
| Deferred tax assets | 26 | **1,071,565** | 273,417 |
| Intangible assets | 15 | **9,415,547** | 15,399,675 |
| TOTAL NON-CURRENT ASSETS | | **12,130,197** | 15,932,561 |
| TOTAL ASSETS | | **19,945,096** | 22,866,069 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 17 | **1,288,130** | 860,065 |
| Current tax liabilities | 26 | **375,189** | 584,567 |
| Employee benefits | 19 | **1,017,665** | 788,580 |
| Contract liabilities | 18 | **3,603,248** | 3,104,576 |
| Lease liabilities | 16 | **482,478** | - |
| TOTAL CURRENT LIABILITIES | | **6,766,710** | 5,337,788 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 26 | **1,109,046** | 553,195 |
| Employee benefits | 19 | **163,968** | 101,719 |
| Lease liabilities | 16 | **905,271** | - |
| Contract liabilities | 18 | **958,778** | 1,085,392 |
| TOTAL NON-CURRENT LIABILITIES | | **3,137,063** | 1,740,306 |
| TOTAL LIABILITIES | | **9,903,773** | 7,078,094 |
| NET ASSETS | | **10,041,323** | 15,787,975 |
| **EQUITY** | | | |
| Issued capital | 20 | **28,501,869** | 28,469,564 |
| Reserves | | **(309,458)** | (344,536) |
| Accumulated losses | | **(17,819,740)** | (11,994,986) |
| **Total equity attributable to equity holders of the Company** | | **10,372,671** | 16,130,042 |
| Non-controlling interest | | **(331,348)** | (342,067) |
| TOTAL EQUITY | | **10,041,323** | 15,787,975 |

*The accompany notes form part of these financial statements.*

# Consolidated Statement of Changes in Equity

## For the Year Ended 30 June 2020

**2020**

| | Issued capital | Accumulated losses | Foreign Currency Translation Reserve | Option Reserve | Non-controlling Interests | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Balance at 1 July 2019** | **28,469,564** | **(11,994,986)** | **(469,361)** | **124,825** | **(342,067)** | **15,787,975** |
| Loss attributable to members of the parent entity | **-** | **(5,504,703)** | **-** | **-** | **-** | **(5,504,703)** |
| Profit attributable to non-controlling interests | **-** | **-** | **-** | **-** | **10,719** | **10,719** |
| Total other comprehensive income for the year | **-** | **-** | **35,077** | **-** | **-** | **35,077** |
| **Transactions with owners in their capacity as owners** | | | | | | |
| Shares issued during the year | **32,305** | **-** | **-** | **-** | **-** | **32,305** |
| Dividends paid or provided for | **-** | **(320,050)** | **-** | **-** | **-** | **(320,050)** |
| **Balance at 30 June 2020** | **28,501,869** | **(17,819,739)** | **(434,284)** | **124,825** | **(331,348)** | **10,041,323** |

**2019**

| | Issued capital | Accumulated losses | Foreign Currency Translation Reserve | Option Reserve | Non-controlling Interests | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Balance at 1 July 2018** | 28,469,564 | (10,596,037) | (387,492) | 124,825 | (286,191) | 17,324,669 |
| Loss attributable to members of the parent entity | - | (1,398,949) | - | - | - | (1,398,949) |
| Loss attributable to non-controlling interests | - | - | - | - | (55,876) | (55,876) |
| Total other comprehensive income for the year | - | - | (81,869) | - | - | (81,869) |
| **Balance at 30 June 2019** | 28,469,564 | (11,994,986) | (469,361) | 124,825 | (342,067) | 15,787,975 |

*The accompany notes form part of these financial statements.*

# Consolidated Statement of Cash Flows
## For the Year Ended 30 June 2020

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | **13,424,134** | 13,276,907 |
| Payments to suppliers and employees | | **(12,269,571)** | (12,116,965) |
| Interest received | | **4,056** | 6,661 |
| Income taxes refunded | | **-** | 786,030 |
| Net cash provided by operating activities | 25 | **1,158,619** | 1,952,633 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of property, plant and equipment | | **(281,889)** | (95,711) |
| Net cash provided used in investing activities | | **(281,889)** | (95,711) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from issue of shares | | **32,305** | - |
| Payment of lease liabilities | | **(517,948)** | - |
| Dividends paid by parent entity | | **(320,050)** | - |
| Net cash provided used in financing activities | | **(805,693)** | - |
| Effects of foreign exchange rates on overseas cash holdings | | **(47,949)** | (80,971) |
| Net increase in cash and cash equivalents held | | **23,088** | 1,775,951 |
| Cash and cash equivalents at beginning of year | | **4,375,635** | 2,599,684 |
| Cash and cash equivalents at end of financial year | 10 | **4,398,723** | 4,375,635 |

*The accompany notes form part of these financial statements.*

# Notes to the Financial Statements

## For the Year Ended 30 June 2020

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.

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.

### 1 Change in Accounting Policy

**Leases - Adoption of AASB 16**

The Group has adopted AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

***Impact of adoption of AASB 16***

The impact of adopting AASB 16 is described below:

**The Group as a lessee**

Under AASB 117, the Group assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Group or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the consolidated statement of financial position (except for short-term leases and leases of low value assets).

The Group has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised on a straight line basis.

**Practical expedients used on transition**

AASB 16 includes a number of practical expedients which can be used on transition, the Group has used the following expedients:

- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the Group's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;
- a single discount rate was applied to all leases with similar characteristics;
- the right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset;
- excluded leases with an expiry date prior to 30 June 2020 from the consolidated statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- for leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.

# Notes to the Financial Statements
## For the Year Ended 30 June 2020

**1 Change in Accounting Policy continued**

**Financial statement impact of adoption of AASB 16**

The Group has recognised right-of-use assets of $508,125 and lease liabilities of $688,589 and derecognised accrued lease payments of $180,464 at 1 July 2019 for leases previously classified as operating leases.

| | $ |
|---|---|
| Operating lease commitments at 30 June 2019 financial statements | 1,038,998 |
| Discounted using the incremental borrowing rate at 1 July 2019 ranging between 2.9% and 7.8% | 852,632 |
| Less: | |
| Short-term leases included in commitments note | (164,043) |
| **Lease liabilities recognised at 1 July 2019** | 688,589 |

**Interpretation 23 Uncertainty over Income Tax**

The Group has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exists. The interpretation requires: the Group to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the Group to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 July 2019.

**2 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. They have been prepared under the assumption that the Group operates on a going concern basis.

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.

**(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.

**2 Summary of Significant Accounting Policies continued**

**(b) Principles of Consolidation continued**

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 13 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. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

**(c) 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.

### 2 Summary of Significant Accounting Policies continued

#### (c) 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.

#### (d) 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, Fixtures and 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.

## 2 Summary of Significant Accounting Policies continued

### (e) Financial Instruments

***Recognition and derecognition***

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

***Classification and initial measurement of financial assets***

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

***Financial assets at amortised cost***

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

***Impairment of financial assets***

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

### 2 Summary of Significant Accounting Policies continued

#### (e) Financial Instruments continued

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Stage 1’) and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’).

- ‘Stage 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

‘12-month expected credit losses’ are recognised for the first category while ‘lifetime expected credit losses’ are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Trade and other receivables**

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

**Classification and measurement of financial liabilities**

The Group’s financial liabilities include trade and other payables and lease liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

### 2 Summary of Significant Accounting Policies continued

#### (f) 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.

#### (g) 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 years or 15 years, depending on the product.

**2 Summary of Significant Accounting Policies continued**

**(g) Intangible Assets continued**

**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.

**Intellectual property**

Intellectual property relates to copyright in eMite Pty Ltd's software products acquired in a business combination. It is amortised on a straight-line basis over the period of their expected benefit, being their expected finite period of 15 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.

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.

**2 Summary of Significant Accounting Policies continued**

**(h) 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.

**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.

## 2 Summary of Significant Accounting Policies continued

### (i) 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.

### (j) 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.

### (k) 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.

**2 Summary of Significant Accounting Policies continued**

**(l) Leases**

For current year

At inception of a contract, the Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

***Accounting policy applicable to comparative period (30 June 2019)***

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.

**2 Summary of Significant Accounting Policies continued**

**(m) Revenue and Other Income**

**Revenue from contracts with customers**

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

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.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

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.

When such licenses are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation. Revenue is recognised at a point in time when the software has been developed and tested and the Group has a right to payment.

Maintenance revenue is recognised on a straight-line basis over the maintenance service period. As the amount of work required to perform under these contracts does not vary significantly from month-to-month, the straight-line method provides a faithful depiction of the transfer of goods or services.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due

**Interest Revenue**

Interest is recognised using the effective interest method.

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

### 2 Summary of Significant Accounting Policies continued

#### (n) 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 2(f) for further discussion on the determination of impairment losses.

#### (o) 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.

#### (p) 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.

#### (q) 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.

#### (r) 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.

### 2 Summary of Significant Accounting Policies continued

#### (s) 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.

**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 26.

**Key estimates - Coronavirus COVID-19 Pandemic**

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

**Key estimates - impairment of non-financial assets**

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2(f)). During the year, the Group recognised an impairment loss on intangible assets goodwill (see Note 15).

**Key judgments - allowance for credit losses**

The value of the allowance for credit losses is estimated by considering the ageing of receivables, communication with the debtors and prior history.

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

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the AASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

# Notes to the Financial Statements

## For the Year Ended 30 June 2020

### 3 Revenue and Other Income

**Revenue**

| | 2020 $ | 2019 $ |
|---|---|---|
| Sales revenue | | |
| - licence sales | **8,565,875** | 7,220,280 |
| - maintenance fees | **4,646,722** | 4,339,491 |
| - consulting sales | **381,838** | 547,549 |
| | **13,594,435** | 12,107,320 |

The Group's revenue is disaggregated as follows:

| | Legacy | | Snare | | eMite | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 $ | 2019 $ | 2020 $ | 2019 $ | 2020 $ | 2019 $ | 2020 $ | 2019 $ |
| Goods or services transferred at a point in time | | | | | | | | |
| - licence sales | **449,865** | 479,073 | **5,326,814** | 4,592,917 | **-** | - | **5,776,679** | 5,071,990 |
| - consulting sales | **-** | - | **98,790** | 124,126 | **283,048** | 423,423 | **381,838** | 547,549 |
| | **449,865** | 479,073 | **5,425,604** | 4,717,043 | **283,048** | 423,423 | **6,158,517** | 5,619,539 |
| Goods or services transferred over time | | | | | | | | |
| - licence sales | **-** | - | **93,530** | - | **2,695,666** | 2,148,290 | **2,789,196** | 2,148,290 |
| - maintenance fees | **206,769** | 253,216 | **3,895,055** | 3,432,369 | **544,898** | 653,906 | **4,646,722** | 4,339,491 |
| | **206,769** | 253,216 | **3,988,585** | 3,432,369 | **3,240,564** | 2,802,196 | **7,435,918** | 6,487,781 |
| **Total** | **656,634** | 732,289 | **9,414,189** | 8,149,412 | **3,523,612** | 3,225,619 | **13,594,435** | 12,107,320 |

# Notes to the Financial Statements

## For the Year Ended 30 June 2020

### 4 Result for the Year

The result for the year includes the following specific expenses:

| | 2020 $ | 2019 $ |
|---|---|---|
| Employee benefit expense comprises: | | |
| - Salaries and wages | **5,779,389** | 5,456,470 |
| - Commissions | **1,137,376** | 1,152,736 |
| - Superannuation contributions | **394,759** | 428,960 |
| - Payroll taxes | **396,094** | 346,131 |
| - Consultants | **500,352** | 225,276 |
| - Medical expenses | **235,019** | 149,139 |
| - AL & LSL expenses | **293,080** | 142,802 |
| - Other employee benefit expenses | **138,413** | 96,772 |
| | **8,874,482** | 7,998,286 |
| Impairment of intangible assets | **4,670,746** | - |
| Depreciation and amortisation expense comprises: | | |
| - Depreciation - plant and equipment | **180,408** | 91,542 |
| - Depreciation - right of use assets | **371,155** | - |
| - Amortisation - intellectual property | **800,000** | 808,567 |
| - Amortisation - development costs | **513,382** | 526,104 |
| | **1,864,945** | 1,426,213 |
| **Other Expenses:** | | |
| Accounting fees | **152,424** | 140,039 |
| Consulting and professional fees | **1,440,182** | 1,209,584 |
| Filing fees | **81,223** | 67,173 |
| Insurance | **139,189** | 138,985 |
| Marketing | **140,173** | 355,423 |
| Rent expenses | **-** | 396,567 |
| Communications expense | **1,080,383** | 719,184 |
| Software including annual maintenance | **607,802** | 434,036 |
| Travel and accommodation | **228,769** | 198,479 |
| Other expenses | **360,793** | 364,847 |
| | **4,230,938** | 4,024,317 |

# Notes to the Financial Statements

## For the Year Ended 30 June 2020

### 5 Income Tax Expense

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

| | 2020 $ | 2019 $ |
|---|---|---|
| Current tax expense | **145,294** | 509,265 |
| Foreign income tax withholding | **-** | 106 |
| Deferred tax expense | **(212,301)** | (139,471) |
| Adjustments for current tax of prior periods | **(365,357)** | (254,227) |
| **Total income tax (benefit)/expense** | **(432,364)** | 115,673 |

(b) Reconciliation of income tax to accounting profit:

| | 2020 $ | 2019 $ |
|---|---|---|
| Loss | **(5,926,348)** | (1,339,152) |
| Tax rate | **27.50%** | 27.50% |
| | **(1,629,746)** | (368,267) |
| Add: | | |
| Tax effect of: | | |
| - non-deductible depreciation, amortisation and impairment | **1,515,102** | 222,356 |
| - non-deductible expenses | **2,672** | 5,066 |
| - tax losses not recognised | **44,965** | 512,996 |
| | **(67,007)** | 372,151 |
| Less: | | |
| Tax effect of: | | |
| - over provision for income tax in prior year | **365,358** | 254,227 |
| - other | **-** | 2,251 |
| Income tax attributable to parent entity | **(432,365)** | 115,673 |
| Income tax expense | **(432,365)** | 115,673 |
| Weighted average effective tax rate | **(9)%** | (9)% |

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

| | 2020 $ | 2019 $ |
|---|---|---|
| Timing differences on unrealised foreign exchange gains | **29,997** | 70,192 |

# Notes to the Financial Statements

## For the Year Ended 30 June 2020

### 6 Key Management Personnel Disclosures

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

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | **1,821,922** | 1,758,991 |
| Post-employment benefits | **113,893** | 141,859 |
| Long-term benefits | **30,254** | 19,222 |
| Share-based payments | **13,300** | - |
| | **1,979,369** | 1,920,072 |

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 2020.

### 7 Remuneration of Auditors

| | 2020 | 2019 |
|---|---|---|
| Remuneration of the auditor of the parent entity, Grant Thornton Audit Pty Ltd, for: | | |
| - auditing or reviewing the financial statements | **97,925** | 94,961 |
| - taxation services | **27,700** | 25,422 |
| Remuneration of other firms for audits of subsidiaries: | | |
| - auditing or reviewing the financial statements of subsidiaries | **11,318** | 10,859 |
| **Total** | **136,943** | 131,242 |

### 8 Dividends

| | 2020 | 2019 |
|---|---|---|
| The following dividends were declared and paid: | | |
| Interim unfranked ordinary dividend of 0.5 (2019: nil) cents per share | **320,050** | - |

**Franking account**

| | 2020 | 2019 |
|---|---|---|
| The franking credits available for subsequent financial years at a tax rate of 27.5% | **123,308** | 268,154 |

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 (2019: zero).

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

### 9 Earnings per Share ("EPS")

(a) Reconciliation of earnings used in calculating basic and dilutive EPS:

| | 2020 $ | 2019 $ |
|---|---|---|
| Loss after income tax attributable to the owners of Prophecy International Holdings Limited | **(5,504,703)** | (1,398,949) |

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

| | No. | No. |
|---|---|---|
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | **64,013,441** | 64,009,784 |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | **64,013,441** | 64,009,784 |

### 10 Cash and Cash Equivalents

| | $ | $ |
|---|---|---|
| Cash at bank and in hand | **4,177,244** | 4,154,156 |
| Short-term bank deposits | **221,479** | 221,479 |
| | **4,398,723** | 4,375,635 |

### 11 Trade and Other Receivables

| | | |
|---|---|---|
| CURRENT | | |
| Trade receivables | **2,492,262** | 2,045,954 |
| Accrued revenue | **379,683** | 163,651 |
| Other receivables | **31,989** | 5,429 |
| **Total current trade and other receivables** | **2,903,934** | 2,215,034 |
| NON-CURRENT | | |
| Deposits | **24** | 24 |
| Other receivables | **8,177** | 8,002 |
| **Total non-current trade and other receivables** | **8,201** | 8,026 |

**(a) Collateral held as security**

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

**(b) Financial assets at amortised costs**

| | | | |
|---|---|---|---|
| Trade and other receivables | | | |
| - Current | | **2,903,934** | 2,215,034 |
| - Non-current | | **8,201** | 8,026 |
| Total | 29 | **2,912,135** | 2,223,060 |

### 11 Trade and Other Receivables continued

The following table details the Group's trade and other receivables.

| | Current | Less than 30 days past due | More than 30 days past due | More than 60 days past due | More than 90 days past due | Total |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Gross carrying amount | | | | | | |
| - trade and other receivables | **1,920,894** | **747,810** | **21,552** | **40,616** | **181,263** | **2,912,135** |
| Loss allowance | 0 | 0 | 0 | 0 | 0 | 0 |
| **2019** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Gross carrying amount | | | | | | |
| - trade and other receivables | 1,465,648 | 579,632 | 10,105 | 28,421 | 139,254 | 2,223,060 |
| Loss allowance | 0 | 0 | 0 | 0 | 0 | 0 |

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.

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for sales over the past 12 months before 30 June 2020 and 1 July respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

The Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

Based on this analysis, management considers a zero percentage loss rate to be applicable to the Group's trade receivables balance.

### 12 Other Non-financial Assets

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Prepayments | **512,242** | 342,839 |

### 13 Interests in Subsidiaries

**Composition of the Group**

| | Principal place of business / Country of Incorporation | Percentage Owned (%)* 2020 | Percentage Owned (%)* 2019 |
|---|---|---|---|
| **Subsidiaries:** | | | |
| Intersect Alliance International Pty Ltd | Australia | **100** | 100 |
| Prophecy International Pty Ltd as trustee for CSP Unit Trust | Australia | **100** | 100 |
| Prophecy R&D Pty Ltd | Australia | **100** | 100 |
| Prophecy Americas' Inc | United States | **93** | 93 |
| Prophecy Europe Limited | United Kingdom | **100** | 100 |
| eMite Pty Ltd | Australia | **100** | 100 |

*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.

# Notes to the Financial Statements
## For the Year Ended 30 June 2020

### 14 Property, Plant and Equipment

| | 2020 $ | 2019 $ |
|---|---|---|
| Plant and equipment | | |
| At cost | **1,290,292** | 1,008,380 |
| Accumulated depreciation | **(958,670)** | (792,401) |
| Total plant and equipment | **331,622** | 215,979 |
| Furniture, fixtures and fittings | | |
| At cost | **241,465** | 236,718 |
| Accumulated depreciation | **(219,163)** | (201,254) |
| Total furniture, fixtures and fittings | **22,302** | 35,464 |
| **Total property, plant and equipment** | **353,924** | 251,443 |

**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 2020** | | | |
| Balance at the beginning of year | **215,979** | **35,464** | **251,443** |
| Additions | **278,084** | **3,805** | **281,889** |
| Depreciation expense | **(162,796)** | **(17,240)** | **(180,036)** |
| Foreign exchange movements | **355** | **273** | **628** |
| **Balance at the end of the year** | **331,622** | **22,302** | **353,924** |
| **Year ended 30 June 2019** | | | |
| Balance at the beginning of year | 194,157 | 48,041 | 242,198 |
| Additions | 95,711 | 3,755 | 99,466 |
| Depreciation expense | (74,599) | (16,943) | (91,542) |
| Foreign exchange movements | 710 | 611 | 1,321 |
| **Balance at the end of the year** | 215,979 | 35,464 | 251,443 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2020

### 15 Intangible Assets

| | 2020 $ | 2019 $ |
|---|---|---|
| Goodwill | | |
| Cost | **5,108,270** | 5,108,270 |
| Accumulated impairment losses | **(2,981,455)** | - |
| **Net carrying value** | **2,126,815** | 5,108,270 |
| Intellectual property | | |
| Cost | **12,720,000** | 12,720,000 |
| Accumulated amortisation | **(4,720,000)** | (3,920,000) |
| Accumulated impairment losses | **(1,689,291)** | - |
| **Net carrying value** | **6,310,709** | 8,800,000 |
| Development costs | | |
| Cost | **2,678,372** | 2,678,372 |
| Accumulated amortisation and impairment | **(1,700,349)** | (1,186,967) |
| **Net carrying value** | **978,023** | 1,491,405 |
| **Total Intangibles** | **9,415,547** | 15,399,675 |

**Movements in carrying amounts of intangible assets**

| | Intellectual property $ | Goodwill $ | Development costs $ | Total $ |
|---|---|---|---|---|
| **Year ended 30 June 2020** | | | | |
| Balance at the beginning of the year | **8,800,000** | **5,108,270** | **1,491,405** | **15,399,675** |
| Amortisation | **(800,000)** | **-** | **(513,382)** | **(1,313,382)** |
| Impairment loss | **(1,689,291)** | **(2,981,455)** | **-** | **(4,670,746)** |
| **Closing value at 30 June 2020** | **6,310,709** | **2,126,815** | **978,023** | **9,415,547** |
| | | | | |
| **Year ended 30 June 2019** | | | | |
| Balance at the beginning of the year | 9,608,567 | 5,108,270 | 2,017,509 | 16,734,346 |
| Amortisation | (808,567) | - | (526,104) | (1,334,671) |
| **Closing value at 30 June 2019** | 8,800,000 | 5,108,270 | 1,491,405 | 15,399,675 |

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.

Goodwill is allocated to the Group's CGU identified according to business segment.

Goodwill with a carrying value of $2,126,815 (2019: $2,126,815) has been allocated to the SNARE CGU. The recoverable amount of the Snare CGU is determined based on the value-in-use ("VIU") calculations. The calculation is based on the present value of cash flow projection over a 4 year period at a post-tax discount rate of 12.9%. It is estimated no growth in the future cash flows in this VIU calculation. If the discount rate, which is based on the estimate of the Snare CGU's weighted average cost of capital, had been increased from 12.9% to 19.4%, no impairment expenses would have recognised.

### 15 Intangible Assets (Continued)

Goodwill with a carrying value of $2,981,455 (2019: $2,981,455) has been allocated to the eMite CGU, prior to the impairment loss of $2,981,455 (2019: nil) being charged during the year. The recoverable amount of the eMite CGU is determined based on the value-in-use calculations. The calculation is based on the present value of cash flow projection over a 4 year period at a post-tax discount rate of 12.9%, which is based on the estimate of the eMite CGU's weighted average cost of capital, and an average budgeted annual revenue growth rate of 41%. The recoverable amount of the eMite CGU is estimated to be $6,310,709 as at 30 June 2020 and the corresponding impairment loss of $4,670,746 was charged to the profit or loss during the year due to reduction in the target growth in revenue and profit for the cash flow projection period.

The eMite intangible asset impairment was due to deferred and reduced revenue in H2 as the worldwide effects of COVID19 slowed the sales of eMite product. The eMite software is sold to a worldwide customer base, and as COVID19 caused the majority of economies around the world to slow, many of the eMite customers either slowed the deployment of eMite agents or deferred the purchase of the software, effecting revenue in the second half of the year. Due to the slow down in sales growth, and future uncertainty of the speed of customer project roll out, the board has reviewed its future revenue assumptions, and the resulting financial model has meant a reduction in the intangible asset value for the eMite CGU is required.

If the average budgeted annual revenue growth rate had been 5% lower than management’s estimates at 30 June 2020 (36% instead of 41%), the Group would have had to recognise additional impairment expenses of $2,411,366 against the carrying amount of intellectual property. If the post-tax discount rate of 12.9% had been 2% higher than management’s estimates (14.9% instead of 12.9%), the Group would have had to recognise additional impairment expenses of $331,236 against the carrying amount of intellectual property. In the prior year, there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment loss in the eMite CGU.

### 16 Leases

#### (a) Right-of-use assets

| | 2020<br>$ |
|---|---|
| **Year ended 30 June 2020** | |
| As at 1 July 2019 | **508,125** |
| Increases – new leases | **1,143,990** |
| Depreciation | **(371,155)** |
| **Balance at end of year** | **1,280,960** |

The Group lease various office spaces in Australia and the United States. Rental contracts typically made for fixed periods of 1 year to 5 years.

#### (b) Lease liabilities

| | 2020<br>$ |
|---|---|
| Current | **553,986** |
| Non-current | **1,079,120** |
| **Balance at end of year** | **1,633,106** |

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

| | < 1 year<br>$ | 1 - 5 years<br>$ | > 5 years<br>$ | Total<br>$ |
|---|---|---|---|---|
| **2020** | | | | |
| Minimum lease payments due | **553,986** | **1,079,120** | **-** | **1,633,106** |

# Notes to the Financial Statements
## For the Year Ended 30 June 2020

### 17 Trade and Other Payables

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| Trade payables | | **679,801** | 281,132 |
| Sundry payables and accrued expenses | | **605,672** | 576,279 |
| Other payables | | **2,657** | 2,654 |
| | 29 | **1,288,130** | 860,065 |

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.

### 18 Contract liabilities

| | 2020 | 2019 |
|---|---|---|
| CURRENT | | |
| Deferred income | **3,603,248** | 3,104,576 |
| NON-CURRENT | | |
| Deferred income | **958,778** | 1,085,392 |
| **Total deferred income** | **4,562,026** | 4,189,968 |

Deferred income has grown due to the growth in multi-year maintenance agreements, growth in subscription licence sales, increase in the term of subscription based customer contracts and increase in the prepayment of annual subscription contracts.

### 19 Employee Benefits

| | 2020 $ | 2019 $ |
|---|---|---|
| CURRENT | | |
| Long service leave | **314,461** | 272,027 |
| Annual leave | **703,204** | 516,553 |
| | **1,017,665** | 788,580 |
| NON-CURRENT | | |
| Long service leave | **163,968** | 101,719 |

### 20 Issued Capital

| | 2020 $ | 2019 $ |
|---|---|---|
| 64,055,934 (2019: 64,009,784) Ordinary shares | **28,501,869** | 28,469,564 |

#### (a) Ordinary shares

| | No. | No. |
|---|---|---|
| At the beginning of the reporting period | **64,009,784** | 64,009,784 |
| Shares issued during the year | **46,150** | - |
| At the end of the reporting period | **64,055,934** | 64,009,784 |

### 20 Issued Capital (Continued)

#### (a) Ordinary shares (Continued)

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.

### 21 Capital and Leasing Commitments

**Operating Leases**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Minimum lease payments under non-cancellable operating leases: | | |
| - not later than one year | - | 488,531 |
| - between one year and five years | - | 550,467 |
| | - | 1,038,998 |

Following implementation of AASB 16 – Leases, minimum lease payments are now included in lease liabilities. Refer note 16.

### 22 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 $191,479 (2019: $191,479).

Details of leases can be found in Note 16. 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.

### 23 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.

# Notes to the Financial Statements
## For the Year Ended 30 June 2020

### 24 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.

### 25 Cash Flow Information

#### (a) Reconciliation of result for the year to cashflows from operating activities

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Loss for the year | **(5,493,984)** | (1,454,825) |
| Cash flows excluded from profit attributable to operating activities | | |
| Non-cash flows in profit: | | |
| - depreciation and amortisation | **1,864,945** | 1,426,213 |
| - impairment expense | **4,670,746** | - |
| - foreign exchange (gain)/loss | **58,936** | 52,935 |
| - foreign exchange differences arising on translation of foreign subsidiaries | **19,411** | (61,444) |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | **(692,199)** | 532,329 |
| - (increase)/decrease in other assets | **(171,025)** | (222,787) |
| - (increase)/decrease in inventories | **-** | 9,000 |
| - (increase)/decrease in deferred tax asset | **(798,148)** | 147,969 |
| - increase/(decrease) in contract liabilities | **372,058** | 847,539 |
| - increase/(decrease) in trade and other payables | **689,504** | (214,710) |
| - increase/(decrease) in income taxes payable | **(209,378)** | 931,699 |
| - increase/(decrease) in deferred tax liability | **555,851** | (116,522) |
| - increase/(decrease) in employee benefits | **291,902** | 75,237 |
| Cashflows from operations | **1,158,619** | 1,952,633 |

#### (b) Credit standby arrangements with banks

| | 2020 | 2019 |
|---|---|---|
| Credit facility | **40,000** | 40,000 |
| Amount utilised | **(1,477)** | (11,855) |
| | **38,523** | 28,145 |

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.

### 26 Tax

**Current Tax Asset**

| | 2020 $ | 2019 $ |
|---|---|---|
| **Current Tax Liability** | | |
| Income tax payable | **375,189** | 584,567 |

**Recognised deferred tax assets and liabilities**

| | 2020 $ | 2019 $ |
|---|---|---|
| Deferred tax assets | **1,071,565** | 273,417 |
| Deferred tax liabilities | **1,109,046** | 553,195 |

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following:

| | 2020 $ | 2019 $ |
|---|---|---|
| Tax losses | **6,052,063** | 6,241,971 |

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.

**Deferred Tax Assets**

| | Opening Balance $ | Charged to Income $ | Charged directly to Equity $ | Closing Balance $ |
|---|---|---|---|---|
| Property, plant and equipment | | | | |
| - tax allowance | 2,943 | 2,393 | - | 5,336 |
| Provisions - employee benefits | 205,582 | 13,520 | - | 219,102 |
| Unrealised foreign exchange | (112,971) | (66,894) | 70,192 | (109,673) |
| Accruals | 94,402 | 3,877 | - | 98,279 |
| Deferred tax assets attributable to tax losses | 230,876 | (170,919) | - | 59,957 |
| Other deductions | 554 | (138) | - | 416 |
| **Balance at 30 June 2019** | 421,386 | (218,161) | 70,192 | 273,417 |
| Property, plant and equipment | | | | |
| - tax allowance | **5,336** | **1,171** | **-** | **6,507** |
| Provisions - employee benefits | **219,102** | **59,649** | **-** | **278,751** |
| Unrealised foreign exchange | **(109,673)** | **146,218** | **29,997** | **66,542** |
| Accruals | **98,279** | **(69,030)** | **-** | **29,249** |
| Deferred tax assets attributable to tax losses | **59,957** | **(59,957)** | **-** | **-** |
| Other deductions | **416** | **(139)** | **-** | **277** |
| Leases | **-** | **690,239** | **-** | **690,239** |
| **Balance at 30 June 2020** | **273,417** | **768,151** | **29,997** | **1,071,565** |

# Notes to the Financial Statements

## For the Year Ended 30 June 2020

### 26 Tax continued

**Deferred Tax Liabilities**

| | Opening Balance $ | Charged to Income $ | Charged directly to Equity $ | Closing Balance $ |
|---|---|---|---|---|
| Work in progress | 21,460 | 1,069 | - | 22,529 |
| Prepayments | 3,027 | (69) | - | 2,958 |
| Other current assets | 551,433 | (145,707) | - | 405,726 |
| Unrealised foreign currency gains | 93,797 | 28,185 | - | 121,982 |
| **Balance at 30 June 2019** | 669,717 | (116,522) | - | 553,195 |
| Work in progress | **22,529** | **(1,293)** | **-** | **21,236** |
| Prepayments | **2,958** | **1,029** | **-** | **3,987** |
| Other current assets | **405,726** | **(129,618)** | **-** | **276,108** |
| Unrealised foreign currency gains | **121,982** | **30,604** | **-** | **152,586** |
| Leases | **-** | **655,129** | **-** | **655,129** |
| **Balance at 30 June 2020** | **553,195** | **555,851** | **-** | **1,109,046** |

### 27 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 27.5%. 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.

## 27 Operating Segments continued

### Basis of accounting for purposes of reporting by operating segments continued

#### (a) Accounting policies adopted continued

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

# Notes to the Financial Statements
## For the Year Ended 30 June 2020

### 27 Operating Segments continued

#### (e) Segment performance

| | Legacy | | SNARE | | eMite | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **REVENUE** | | | | | | | | |
| External sales | 656,634 | 732,289 | 9,414,189 | 8,149,412 | 3,523,612 | 3,225,619 | 13,594,435 | 12,107,320 |
| **Total segment revenue** | 656,634 | 732,289 | 9,414,189 | 8,149,412 | 3,523,612 | 3,225,619 | 13,594,435 | 12,107,320 |
| **Segment operating profit/(loss)** | (1,674,280) | (870,604) | 2,525,017 | 2,345,025 | (6,777,085) | (2,813,573) | (5,926,348) | (1,339,152) |
| The following amount is included in the measure of segment profit or loss: | | | | | | | | |
| - Impairment expense – intangible assets | - | - | - | - | (4,670,746) | - | (4,670,746) | - |

#### (f) Segment assets

| | Legacy 2020 $ | Legacy 2019 $ | SNARE 2020 $ | SNARE 2019 $ | eMite 2020 $ | eMite 2019 $ | Total 2020 $ | Total 2019 $ |
|---|---|---|---|---|---|---|---|---|
| **Segment assets** | 36,276,859 | 37,840,708 | 6,549,347 | 4,690,972 | 3,132,459 | 2,335,264 | 45,958,665 | 44,866,944 |
| - Capital expenditure | 76,594 | 9,228 | 185,740 | 72,020 | 19,555 | 18,218 | 281,889 | 99,466 |

#### (g) Segment liabilities

| | Legacy 2020 $ | Legacy 2019 $ | SNARE 2020 $ | SNARE 2019 $ | eMite 2020 $ | eMite 2019 $ | Total 2020 $ | Total 2019 $ |
|---|---|---|---|---|---|---|---|---|
| **Segment liabilities** | 42,643,314 | 42,510,298 | 4,294,394 | 3,984,543 | 7,244,169 | 5,974,486 | 54,181,877 | 52,469,327 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2020

### 27 Operating Segments continued

#### (h) Reconciliations

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

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Total segment revenue | **13,594,435** | 12,107,300 |

*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.

| | 2020 | 2019 |
|---|---|---|
| Segment net operating profit | **(5,926,348)** | (1,339,152) |
| Income tax benefit /(expense) | **432,364** | (115,673) |
| Total net profit after tax | **(5,493,984)** | (1,454,825) |

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

| | 2020 | 2019 |
|---|---|---|
| Segment operating assets | **45,958,666** | 44,866,944 |
| Intersegment eliminations | **(36,500,682)** | (37,673,967) |
| Deferred tax assets | **1,071,565** | 273,417 |
| Intangible assets | **9,415,547** | 15,399,675 |
| Total assets per the consolidated statement of financial position | **19,945,096** | 22,866,069 |

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

| | 2020 | 2019 |
|---|---|---|
| Segment liabilities | **54,181,877** | 52,469,327 |
| Intersegment eliminations | **(45,387,151)** | (45,944,428) |
| Deferred tax liabilities | **1,109,046** | 553,195 |
| Total liabilities per the consolidated statement of financial position | **9,903,772** | 7,078,094 |

#### (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.

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Revenue | Assets | Revenue | Assets |
| Australia | **1,997,502** | **16,841,443** | 2,385,390 | 19,241,023 |
| United States | **10,580,973** | **3,043,633** | 8,953,364 | 3,123,185 |
| Europe | **1,001,192** | **60,020** | 763,854 | 501,861 |
| Asia | **14,768** | **-** | 4,692 | - |
| | **13,594,435** | **19,945,096** | 12,107,300 | 22,866,069 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2020

### 28 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 6: 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:

| | **2020 $** | **2019 $** |
|---|---|---|
| Directors Fees of $100,000 for Ed Reynolds were paid to:<br>- Ed Reynolds ($39,000) and<br>- Reyer Investments Pty Ltd ($61,000)<br>as stated in the Remuneration Report included in the Directors' Report. | | |
| Reyer Investments Pty Ltd, a company directed by Ed Reynolds, the Chairman, provided consulting services to the Group. | **7,346** | 12,596 |
| Directors Fees of $70,000 for Grant R Miles were paid to:<br>- Moore Stephens (SA) Pty Ltd ($60,000); and<br>- Rickaby Holdings Pty Ltd ($10,000)<br>as stated in the Remuneration Report included in the Directors' Report. | | |
| 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. | **36,287** | 20,926 |
| ITVIZZ Pte Ltd, a company previously directed by Stuart Geros, the Company CPO, provided consulting services to the Group in the 2018/2019 year. | **-** | 175,718 |
| PYC Inc a company Peter Barzen is a partner in, had a profit share agreement up to 31st December 2019 with Snare Alliance who received royalties during the 2019/2020 year. | **11,902** | 130,951 |
| **Total** | **48,189** | 327,595 |

### 29 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 9 as detailed in the accounting policies to these financial statements, are as follows:

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **Financial assets at amortised costs** | | | |
| Cash and cash equivalents | 10 | **4,398,723** | 4,375,635 |
| Trade and other receivables | 11 | **2,912,135** | 2,223,060 |
| **Total financial assets at amortised costs** | | **7,310,858** | 6,598,695 |
| **Financial liabilities at amortised costs** | | | |
| Trade and other payables | 17 | **1,288,130** | 860,065 |
| Lease liabilities | 16 | **1,387,749** | - |
| **Total financial liabilities at amortised costs** | | **2,675,879** | 860,065 |

#### 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.

### 29 Financial Risk Management continued

#### (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 2020 or at 30 June 2019.

Although trade and other receivables are all unrated, no indicators of impairment have been found at 30 June 2020.

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.

#### (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.

### 29 Financial Risk Management continued

#### (b) Liquidity risk continued

The Group's non-derivative financial liabilities have contract maturities as summarised below. The amounts below reflect the contractual undiscounted cash flows. Refer to Note 16 for the maturity analysis of lease liabilities.

| | Within 1 Year | | 1 to 5 Years | | Total | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| **Financial liabilities due for payment** | | | | | | |
| Trade and other payables | **1,288,130** | 860,065 | **-** | - | **1,288,130** | 860,065 |

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.

**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.

# Notes to the Financial Statements

## For the Year Ended 30 June 2020

### 29 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** |
| **2020** | **$** | **$** | **$** | **$** | **$** | **$** |
| Consolidated | | | | | | |
| Trade and other receivables | **2,015,778** | **62,699** | **169,057** | **-** | **2,920** | **2,250,454** |
| Trade and other payables | **(431,888)** | **-** | **(76,188)** | **-** | **-** | **(508,076)** |
| **2019** | | | | | | |
| Consolidated | | | | | | |
| Trade and other receivables | 1,648,872 | 114,720 | 45,352 | 54,517 | 717 | 1,864,178 |
| Trade and other payables | (40,537) | - | (39,031) | - | - | (79,568) |

*Forward exchange contracts*

There were no outstanding forward exchange contracts as at 30 June 2020 or 30 June 2019.

**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 0.69 US dollars, 0.56 UK pounds and 0.61 Euros.

If the Australian Dollar had strengthened and weakened against the US dollar, UK pound and Euro by 10% ((30 June 2019: 10%) and 10% ((30 June 2019: 10%) respectively then this would have had the following impact:

| | **2020** | | **2019** | |
|---|---|---|---|---|
| | **+10%** | **-10%** | **+10%** | **-10%** |
| **USD** | | | | |
| Net results | **(280,355)** | **342,656** | (181,237) | 221,512 |
| Equity | **(19,024)** | **23,251** | (51,057) | 62,404 |
| **GBP** | | | | |
| Net results | **(3,051)** | **3,729** | (8,899) | 10,876 |
| Equity | **2,467** | **(3,015)** | (232) | 284 |
| **Euro** | | | | |
| Net results | **(775)** | **947** | (1,746) | 2,134 |
| 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 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 consolidated 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.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Statement of Financial Position** | | |
| Assets | | |
| Current assets | **9,157,685** | 9,991,547 |
| Non-current assets | **18,509,778** | 12,874,522 |
| Total Assets | **27,667,463** | 22,866,069 |
| Liabilities | | |
| Current liabilities | **19,457,294** | 19,542,373 |
| Non-current liabilities | **655,129** | 582,818 |
| Total Liabilities | **20,112,423** | 20,125,191 |
| Equity | | |
| Issued capital | **28,501,869** | 28,469,564 |
| Accumulated losses | **(21,071,654)** | (25,853,511) |
| Share option reserve | **124,825** | 124,825 |
| Total Equity | **7,555,040** | 2,740,878 |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Profit/(loss) for the year | **156,890** | (4,739,388) |
| **Total comprehensive income** | **156,890** | (4,739,388) |

**Guarantees**

The parent entity has not entered into any guarantees as at 30 June 2020 or 30 June 2019.

**Contingent liabilities**

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

**Contractual commitments**

The parent entity did not have any commitments as at 30 June 2020 or 30 June 2019.

## 31 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 2020

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2020 are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards, which, as stated in basis of preparation Note 2(a) 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 29th day of September, 2020

Level 3, 170 Frome Street
Adelaide SA 5000

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Adelaide SA 5001

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# 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 2020, 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 2020 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.

## 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 – Notes 2(m) and 3** | |
| The Group recorded revenue of $13,594,435 for the year ended 30 June 2020. Revenue is the key driver of the Group and is generated through multiple revenue streams including:<br>• License sales;<br>• Maintenance fees; and<br>• Consulting sales<br>As the revenues are generated from providing diverse goods and services to its customers which require different patterns of revenue recognition in accordance with the accounting policies detailed in Note 2(m).<br>The Group focuses on revenue as a key performance indicator and is also a key driver by which the performance of the Group is measured. This area is a key audit matter due to the volume of transactions and the total revenue from operations. | Our procedures included, amongst others, the following:<br>• Documenting the processes and assessing whether internal controls are designed effectively relating to revenue recognition under the five-step model of AASB 15 *Revenue from Contracts with Customers*;<br>• Reviewing revenue recognition policies of individual customer agreements and contractual arrangements to ensure compliance with AASB 15;<br>• Testing a sample of revenue transactions by agreeing the amounts with contract terms, delivery of performance obligations and other supporting documentation;<br>• Analytically reviewing revenue streams against forecasts and prior corresponding period to identify and assess potential anomalies; and<br>• Assessing the adequacy of the Group's disclosures within the financial statements. |
| **Recoverable amount of intangible assets<br>Notes 2(g), 2(s) and 15** | |
| At 30 June 2020, the carrying value of intangible assets was $9,415,547.<br>In accordance with AASB 136 *Impairment of Assets*, management is required to test intangible assets with indefinite useful lives and goodwill at least annually for impairment.<br>Management have 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. Prior to the impairment loss of $4,670,746 being charged during the year, $2,981,455 of goodwill and $8,000,000 of intangibles had been allocated to the eMite business segment.<br>Management have tested for impairment by comparing the carrying amounts of the CGUs with their recoverable amounts.<br>Recoverable amounts were determined using a value in use calculation. 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 a discount rate, which is based on its weighted average cost of capital, to those future cash flows.<br>Following the review of the outlook and the forecasts of eMite business and its industry, an impairment of $4,670,746 has been recorded as at 30 June 2020.<br>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:<br>• Documenting the processes and assessing whether internal controls are designed effectively relating to impairment considerations;<br>• Evaluating management's assessment of CGU's and whether they meet the definition as prescribed by AASB 136;<br>• Obtaining management's impairment assessment and discounted cash flow model and performing the following procedures:<br>– Identifying the key assumptions in the model;<br>– Obtaining evidence to support the key assumptions;<br>– Performing sensitivity analysis on the key assumptions;<br>– Testing the mathematical accuracy of the model;<br>– Testing management's ability to perform accurate estimates by comparing historical forecasts to current year performance;<br>– Involving an auditor's expert to assess the reasonableness of the discount rate and appropriateness of the model; 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 2020, 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.

### 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: https://www.auasb.gov.au/auditors_responsibilites/ar1_2020.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 2020.

In our opinion, the Remuneration Report of Prophecy International Holdings Limited, for the year ended 30 June 2020 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 AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 29 September 2020

# Additional Information for Listed Public Companies

## For the Year Ended 30 June 2020

### 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 29 September 2020.

### 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 | | 379 | 0 |
| 1,001 - 5,000 | | 625 | 0 |
| 5,001 - 10,000 | | 295 | 0 |
| 10,001 - 100,000 | | 419 | 0 |
| 100,000 and over | | 71 | 0 |
| | **Total** | **1789** | 0 |

There were 261 holders of less than a marketable parcel of ordinary shares.

# Additional Information for Listed Public Companies
## For the Year Ended 30 June 2020

| Rank | Twenty Largest Shareholders | Numbers Held | % of Ordinary |
|---|---|---|---|
| 1. | REYER INVESTMENTS PTY LTD (SUPER FUND A/C) | 7,770,000 | 12.13% |
| 2. | DUNMOORE PTY LTD | 5,004,052 | 7.81% |
| 3. | BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAIL CLIENT DRP) | 4,440,079 | 6.93% |
| 4. | MICROEQUITIES ASSET MANAGEMENT PTY LTD | 3,127,248 | 4.88% |
| 5. | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 2,870,103 | 4.48% |
| 6. | MR STUART C GEROS + MRS MICHELLE D GEROS (THE EMERALD POINT FAM A/C) | 1,702,665 | 2.66% |
| 7. | MR DARREN MATHEW GEROS + MS BELINDA GEROS (GEROS FAMILY A/C) | 1,351,048 | 2.11% |
| 8. | CITICORP NOMINEES PTY LIMITED | 1,245,963 | 1.95% |
| 9. | MARIA O'CONNOR + ASSOCIATES PTY LTD | 1,225,246 | 1.91% |
| 10. | SMOOTHWARE PTY LTD | 1,050,230 | 1.64% |
| 11. | HOLDEN HOLDEN + ASSOCIATES PTY LTD | 1,021,875 | 1.60% |
| 12. | MR PETER JOSEPH BARZEN | 945,882 | 1.48% |
| 13. | FIVE TALENTS LIMITED | 900,000 | 1.41% |
| 14. | CUSTODIAL SERVICES LIMITED (BENEFICIARIES HOLDING A/C) | 854,534 | 1.33% |
| 15. | MS CHRISTINE A HOLDEN + MR BRIAN P TOWLER (CHRISTINE HOLDEN S/F A/C) | 800,000 | 1.25% |
| 16. | MRS L R CHALLANS + MR S W CHALLANS | 774,880 | 1.21% |
| 17. | SILVERNINE PTY LTD | 705,469 | 1.10% |
| 18. | DR DEAN ANDARY | 677,201 | 1.06% |
| 19. | ANDAMAX INVESTMENTS PTY LTD | 572,122 | 0.89% |
| 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 2020

### Substantial Shareholders
Substantial shareholders in the company are set out below:

| Name | Ordinary Shares | % held |
| --- | --- | --- |
| REYER INVESTMENTS PTY LTD (SUPER FUND A/C) | 7,770,000 | 12.13% |
| DUNMOORE PTY LTD | 5,004,052 | 7.81% |
| BNP PARIBAS NOMINEES PTY LTD | 4,440,079 | 6.93% |

### 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.