

2020

2021

annual report



**Prophecy International Holdings Limited**

## Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

### Corporate Directory

For the Year Ended 30 June 2021

#### Prophecy International Holdings Ltd

ACN 079 971 618  
ABN 16 079 971 618

#### Directors

Edwin Reynolds  
Leanne R Challans  
Matthew T Michalewicz  
Grant R Miles

#### Company Secretary

Grant R Miles

#### Registered Office

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

#### Subsidiaries

##### Prophecy Americas Inc

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

##### Prophecy Europe Ltd

5 Brooklands Place  
Sale, M33 3SD  
United Kingdom

##### Intersect Alliance International Pty Ltd

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

##### eMite Pty Ltd

Level 12, 141 Walker Street  
North Sydney, NSW 2060  
Australia  
Telephone +61 1800 790 139

#### Email

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#### Internet

prophecyinternational.com  
intersectalliance.com  
eMite.com

#### Share Registry

Computershare Investor Services Pty Ltd  
Level 5, 115 Grenfell Street  
Adelaide, South Australia 5000  
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Phone (from within Australia): 1300 556 161  
Phone (from overseas) : + 61 3 9415 4000  
Email: web.queries@computershare.com.au  
www.computershare.com

#### Auditors

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

#### Solicitors

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

#### Bankers

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

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

#### Corporate Governance Statement

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

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# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Company Profile

For the Year Ended 30 June 2021

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.

## **Prophecy International Holdings Limited and Controlled Entities**

ABN: 16 079 971 618

### **Company Profile**

**For the Year Ended 30 June 2021**

#### **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

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# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Letter from the CEO For the Year Ended 30 June 2021

Dear Shareholders,

Welcome to the 2021 Annual Report for Prophecy International Holdings Limited (ASX: PRO) (“Prophecy” or “the Company”). In the year to 30 June 2021 (FY21), our Company strengthened its position as a leading Australian diversified designer and developer of innovative business software.

During the year, we continued to develop our expertise in cybersecurity and big data analytics to deliver Security Monitoring and Customer Experience (CX) solutions from our 5 primary global locations. Prophecy now has more than 85 staff operating from Head Office in Adelaide, Sydney, Manila, Denver and the UK.

Our vision is to become a globally relevant B2B software company, taking innovative Australian technology to the world, and rewarding our shareholders with market cap growth by pursuing both organic growth and acquisitions.

At its heart, Prophecy is a data company, and we specialise in the collection, correlation, normalisation and analysis of data in our two primary domains – Cyber Security and CX. The products and services that we provide based on this specialisation empower our customers to take immediate and impactful action to reduce risk, maintain regulatory compliance, improve service and grow revenue.

In FY21, Prophecy continued to focus on delivering growth through our two primary product lines, eMite and Snare.

eMite provides a SaaS-based real time and historical analytics platform, dashboards, wallboards, KPI and process orchestration products for Customer Experience and Contact (Call) Centre environments for customers in the Genesys, Amazon and Avaya ecosystems.

The Snare cybersecurity software suite is a highly scalable platform of Centralised Log Management and Security Analytics products, designed to enable customers to detect and manage cyber threats in real time and maintain regulatory compliance.

In 2020, we said that we would continue to focus on the following initiatives:

- Optimising sales & marketing
- Product innovation
- Operational efficiency
- Improving our own customer experience

In sales & marketing, we have achieved the following in the last financial year:

- Increased and improved our targeted marketing to the decision makers in our target markets globally
- Increased the quality and quantity of leads coming into the business
- Leveraged our partners to more effectively go to market globally – particularly Genesys, IBM and Amazon
- Recruited and onboarded a new global marketing director based in the US and have implemented global account-based marketing (ABM)
- Added and upgraded sales staff, particularly in the US, and added senior sales staff with particular experience in Government & Defence as well as in key industries.

Through the year, we have also continued to add partners to support our ability to scale through indirect channels. Prophecy now conducts sales on a global basis through both direct and channel sales teams operating in a regional structure, with Sales VPs leading teams in APAC, the Americas and Europe/Middle East/Africa. We continue to carry out all R&D in Australia and deliver technical support and training globally from our Manila tech centre.

Our strengthened team achieved several significant new contract wins during FY21, highlighted by the following:

### Snare

- Peraton
- Markel
- Charles Schwab
- Occidental Petroleum
- South Carolina State Dept Admin
- QBE
- Signature Aviation
- UK Ministry of Defence
- Singapore Power

## **Letter from the CEO**

### **For the Year Ended 30 June 2021**

#### **eMite**

- Airbnb (4,300 seats)
- Australian Federal Government Department of Human Services (8,000 seats)
- Signet Group (850 seats)
- Johnson & Johnson (855 seats)
- Security Services Credit Union
- State of Missouri
- Bank of NZ
- AT&T/Dyson

The exceptional efforts of our team underpinned a significant improvement in underlying profitability, with Prophecy's net loss after tax improving from (\$5.5 million) in FY20 to (\$2.0 million) in FY21. The result was aided by strong growth in annualised recurring revenue (ARR), with eMite ARR +77% year-on-year to \$7.6 million and total Company ARR growing to \$11.5 million as at 30 June 2021 (+51% year on year).

In CX, we have continuously improved our product suite's functionality as large enterprise and government have embraced cloud services. We forecast eMite's impressive performance to grow further in FY22, and we will invest to accelerate growth across the business, particularly for eMite. We are positioned well to increase eMite sales in FY22 through several growth drivers: organic, upsell, customer acquisition, cloud migrations and new partnerships.

In Security Monitoring, the rising financial and reputational consequences of data breaches, malware and ransomware were already driving rapid growth in the market for cybersecurity solutions prior to COVID-19. The rise of working from home has accelerated these trends, and we are therefore confident that Snare will drive growth for Prophecy in FY22.

Our key focus areas in FY22 are:

- Continue to expand sales and marketing to address opportunities in global markets and accelerate growth
- Increase eMite sales to large Enterprise customers through both Genesys and Amazon Connect
- Increase penetration of Snare products in new and existing customers
- Realise opportunity for Snare in the Government & Defence segment in the USA
- Increase Snare partner revenue from Security services partners including MSSP's, Security Operation Centre (SOC) providers and Extended Detection and Response (XDR) platform providers
- Deliver a strong pipeline of product innovation already in progress for both Snare and eMite
- Continue the managed transition of the Snare business to recurring subscription-based licensing
- Achieve ISO 27001 security certification
- Identify and execute on acquisition opportunities to accelerate growth and increase capability, capacity and coverage

With multi-year industry tailwinds ahead, strong market positions, and diverse streams of recurring revenue flowing from our essential service segments of cybersecurity and cloud contact centres, we look forward to delivering scalable and increasingly profitable growth in the year ahead.

Our healthy financial position, intense sales focus, scalable global IP and highly-regarded team of technology experts provide the Company with a firm footing to deliver the long term strategy and sustainable growth for its shareholders.

I would like to take this opportunity to thank our management and staff for their efforts over this past year, as well as my fellow Directors for their support and guidance. The Company's strategic and operational achievements are a direct result of the significant effort contributed by all of Prophecy's people.

I would also like to thank our loyal customers, suppliers and shareholders for supporting Prophecy through what has been an uncertain period for the global community. We are grateful for their continued backing as we remain focused on executing our growth strategy in FY22 and beyond.



**Brad Thomas OAM MAICD**  
Chief Executive Officer

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Review of Operations For the Year Ended 30 June 2021

### Review of Operations

In FY21, Prophecy continued to focus on delivering growth through its two primary product lines, eMite and Snare.

**eMite** enables you to understand, visualise and measure the entire engagement of your customer with your company or agency regardless of where they came from, how they contact you or what they want from you.

We help you maximise your customer service and revenue opportunity and ensure maximum efficiency of your customer engagement tools, processes, systems and people.

Based around the hub of the call centre, we help you to visualise your customer's journey and understand their level of happiness during the entire journey.

**Snare** is a security monitoring suite that enables customers to meet their compliance mandates, monitor security events and detect threats that have made it past perimeter security barriers.

Snare is keeping Prophecy's customers cyber secure and in compliance with regulation through comprehensive security controls and monitoring that is easy to implement and manage, both in the cloud or on premise.

### Financial Highlights

- eMite revenue increased by 32% year-on-year to \$4.85 million
- Strong growth in annualised recurring revenue (ARR), boosting eMite ARR by 77% year-on-year to \$7.60 million and growing total Company ARR to \$11.6 million as at 30 June 2021
- Overall company revenue \$12.84 million
- Overall consolidated cashflow of (\$376K) for the full year
- Significant improvement in underlying profitability, with net loss after tax improving from (\$5.5 million) in FY20 to (\$2.0 million) in FY21
- Healthy balance sheet with no debt and cash at bank of \$3.1 million

Prophecy consumed \$376k in net operational cash in FY21. The increase in cash consumption was primarily attributable to investments made during the period in marketing, sales and 24x7 global support resources in both businesses, particularly in EMEA and the US, and an increase in tax payable.

### Record Growth in Overall Annualised Recurring Revenue (ARR)

eMite Subscriptions	\$7.6 million
Snare Subscriptions and Maintenance	\$3.7 million
Legacy Subscriptions	\$0.2 million
<b>Total ARR</b>	<b>\$11.5 million (+51% year-on-year)</b>

### Operational Highlights

#### Record eMite Growth

eMite continues to grow through an almost completely channel driven sales model, with the vast majority of sales coming through partners including Genesys, Amazon Web Services or through system integrators like ConvergeOne, Cognizant, NTT and Voice Foundry.

In FY21, the Company saw an acceleration in sales as it acquired larger customers and average deal sizes increased. This has a strong flow on to increase ARR. At the commencement of FY21, eMite had an ARR of \$4.3 million, and by the end of FY21 this had grown to \$7.6 million, representing 76.7% annual growth in eMite ARR.

#### eMite Sales Highlights

- Q4 FY21 revenue of \$1.7 million, an increase of 316% from \$409K in Q4 FY20
- \$2.9 million in H2 FY21 revenue, an increase of 142% from \$1.2 million in H2 FY20
- FY21 revenue of \$3.7 million vs \$2.8 million for FY20, representing 32% year-on-year growth



## Review of Operations For the Year Ended 30 June 2021

### New eMite Partnerships in FY21

- Digital Island (NZ)
- G-Able (Thailand)
- Vodafone (NZ)
- Consegna (NZ)
- Cognizant (Global)
- Lucis (Korea)
- CCNA (Australia)

### Snare Performance

Snare sales did not reach the record result the Company achieved in FY20, primarily driven by fewer buying decisions in the government sector in the US through the transition of the new administration and during the COVID period. Although direct sales to end users were in line with FY20, Prophecy experienced some slowing in growth from one of the Company's major Managed Security Service Provider (MSSP) partners which changed its product strategy, resulting in a sales reduction of approximately \$1 million from that channel in FY21.

Renewals from existing customers increased in FY21 – up 17.7% YoY, and sales of Snare Central were up 47.3% over last year. Q4 FY21 sales were strong and had recovered to the levels we experienced in FY20.

### Snare Sales Highlights

- Q4 \$1.50 million vs \$1.53 million last year
- H2 \$2.4 million vs \$2.82 million last year
- FY21 \$5.15 million vs \$6.83 million last year

Our relationship with IBM has matured and we have added other partners globally for Snare, including Fujitsu in the UK and Singapore, Cap Gemini in the UK and Vambrace for US Defence in the USA.

### New Snare Partnerships in FY21

- Vambrace (USA)
- Armoureye (USA)
- VCloud Tech (USA)
- Single Point of Contact (USA)
- Go Secure (USA)
- Sundata (Australia)

### Legacy products

Legacy products remained consistent as the few remaining customers continued to use both eFoundation and Prophecy Classic in FY21. We expect our single largest eFoundation customer to complete their migration away from this product in FY22 and expect the revenue stream to reduce by 50% in FY22 and to effectively reduce to zero in FY23.

### Product Milestones

The Snare product team achieved major milestone releases for Snare Central in FY21. Version 8.3 and 8.4 have both been released to market with significant new features, including:

- Dynamic event search provides the capability to search events collected and stored in Snare Central, for fast troubleshooting and forensic analysis. The user can save a query for future re-use, view the search history, and view results of recent queries. An intuitive graphical interface can interactively filter search results by Time, Log Type and System.
- High Availability helps to ensure there is minimal chance of lost log data, which is critical for forensic analysis in the event of a cyber attack or breach. High Availability also helps meet regulatory compliance requirements such as GDPR, ISO27001, and PCI DSS.
- Snare Central's simple Backup & Restore feature helps to save on downtime and system rebuilds. With Snare's Backup & Restore capabilities and the ability to workflow the process with scheduled backups, security teams can quickly, easily, and automatically recover log data for forensic analysis or use disk manager to view log data from backup locations.

## Review of Operations

### For the Year Ended 30 June 2021

- Snare Central's Reflector makes it easier for security teams to collect logs from more systems. The Snare Reflector provides enriched data to third party SIEM systems, improving performance and scalability.
- Snare Central's expanded library of log formats makes threat hunting easier for richer data formats. The granular log details and drill-down capability also make it easier for data analysis.
- Snare Central includes over 200 additional reports covering new log types from additional vendors. Snare Central's robust reporting capabilities increase log parsing and reporting options for industry vendor logging systems, providing greater industry coverage and a level of reporting detail required for complete data analysis and compliance.

The eMite team also achieved the largest release to date for the eMite platform shortly after the conclusion of the reporting period, with Version 7.1 being released to market in July 2021 with the following new capabilities:

- The average enterprise customer has over 12 different technology platforms within their contact center tech stack. You have your data from chat and data from voice, and you need to calculate a KPI that combines the two. How do you combine the data in a way that you can create an algorithm that enables a completely custom KPI? With eMite's **Cross-Cube Binding** function, eMite can easily combine data from different systems and build custom calculations on top of that data for reporting and analysis. The data stays bound and the KPI persists are available for ongoing analysis and trending.
- When your contact center's performance thresholds are breached (like Average Hold Time on your sales queue or the NPS on your service queue), you need to react right away – not tomorrow. You also don't want to be glued to a report 24x7 to stay on top of it. eMite's Automated Alerting sends the right people the right alert the right way when you need to make those changes immediately.
- When you need to know the total number of inbound sales contacts but you are using different channels (like Drift for chat and Genesys Cloud for voice), how do you build a report that tracks this over time? eMite v7.1.0's Virtual Fact Query capability allows contact center teams to build measures (for example total inbound sales chats + total inbound sales calls = total inbound enquiries) from disparate data sources and combine them for automated reporting.
- You have data coming into your reports from 'Vendor X' and everything works, but 'Vendor X' makes a change to their API. The vendor has renamed a field and this data naming change breaks all your reports. eMite v7.1.0 now has an easy way to re-map that data to your reports and keep it mapped to preserve the integrity of your data and future-proof it in the event of additional changes by other vendors.

Combine all your existing Elasticsearch datasets easily. Many companies use Elasticsearch to collect, index, and visualise data. With eMite's new **Schema Discovery** tool, we can map your existing Elasticsearch datasets and easily make it available for use in eMite dashboards, KPI's, and automated alerting.

### Customer and Partner Milestones

During FY21 Snare achieved inclusion as part of the Australian Defence Sales Catalogue. Produced by Australian Military Sales (AMS), the Australian Defence Sales Catalogue showcases selected products and services from Australian defence industry and Australian Defence Force (ADF) surplus equipment available for sale under government-to-government arrangements.

The role of AMS is to support Australian sovereign capability and military sales programs through the planning and execution of international government-to-government transfer of:

- Australian Defence Organisation materiel
- Australian-origin sensitive technology
- Products and services of Australian defence industry

Selection for the catalogue by AMS means that Snare's log management solutions – originally designed for Australian defence and military purposes by defence personnel – passed strict requirements by the Australian Defence Organisation and will join 214 Australian defence industry companies with world-leading products and services available for sale under government-to-government arrangements.

# Prophecy International Holdings Limited and Controlled Entities

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## Review of Operations For the Year Ended 30 June 2021

### Genesys Platinum Partnership

During the year, eMite achieved platinum status within Genesys AppFoundry, the industry's largest dedicated marketplace focused on customer experience solutions. The AppFoundry allows Genesys customers from all market segments to discover and rapidly deploy a broad range of solutions that make it easier to interact with consumers, engage employees and optimise their workforce.

### State of the market

#### eMite

eMite continues to ride the industry wave of migration of the contact centre to the cloud. Major legacy vendors like Genesys and Avaya as well as disruptors like Amazon Connect from AWS and Twilio are facilitating customers moving from legacy, monolithic on-premise contact centre systems to true SaaS based solutions.

According to Contact Centre Weeks June Industry Review, companies are viewing the contact centre more as a "value centre". 65% of companies believe that their customer experience has become more important since the onset of the COVID-19 pandemic, and 68% say that their contact centre team is more valuable now than prior to COVID-19.

Important aspects of the contact centre are improving real time coaching using technology, revamping metrics to better signal what matters and gamification, scorecards and performance transparency.

Areas of focus include determining metrics for digital channels, collecting better data at each customer touch point and understanding the customer's journey from end to end.

eMite has continued to grow and evolve in this market moving towards true end to end customer journey analytics. eMite 7.1 enables more scalability, orchestration and real time alerting and even more flexibility to customise and analyse the metrics that are important to business.

As the market continues to mature, Prophecy sees larger customers moving to the cloud, and eMite is there ready for them when they do. In FY21, the Company has seen several very large companies with multiple thousands of contact centre agents become Prophecy customers.

#### Snare

The need for Cyber Security and for monitoring your network has never been more important. Even the largest customers have shown that perimeter security is simply not enough and that when you are breached you will need effective security monitoring to ensure you can answer the questions like "How did they get in?" and "What did they take?"

Significant breaches continue, with notable examples including Solarwinds, PrintNightmare, Kaseya and Electronic Arts, to name a few. One of the more troubling headlines is that "most victims are unaware" that they have been breached, often for months. Detection of Advanced Persistent Threats (ATP) requires advanced detection methods, including logging and forensics.

In May 2021, the Biden administration issued an [Executive Order on Cyber Security](#) that should form the backbone of US responses to cyber threats going forward, particularly in the public sector. The importance of event logging, security analytics and tools like File and Registry Integrity Monitoring, Database Activity Monitoring and securing and maintaining the integrity of security event information continues to be highlighted.

In M&A activity in the logging market space, we have seen CrowdStrike acquire logging specialist Humio for US\$400M and Sentinel One acquire logging start up Scalyr for US\$155M. Given that data is the lifeblood of analytics, there will be a requirement for smart centralised logging to enable analysis and compliance for many years to come.

Snare enables customers to detect many Advanced Persistent Threats. We map extensively against the [Mitre Att&ck Framework](#) and help companies achieve NIST 800-171 compliance. Snare is also verified by Veracode for application security giving customers peace of mind in relation to supply chain integrity.

## Prophecy International Holdings Limited and Controlled Entities

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### Review of Operations For the Year Ended 30 June 2021

#### Forbes Tech Council

During the year, Prophecy CEO Brad Thomas was accepted into the Forbes Technology Council, an invitation-only community for world-class CIOs, CTOs, and technology executives.

Mr Thomas was vetted and selected by a review committee based on the depth and diversity of his experience. Criteria for acceptance include a track record of successfully impacting business growth metrics, as well as personal and professional achievements and honours

#### Awards

##### Finalist, Cyber Category: 2020 Australian Technologies Competition

Prophecy was named a finalist in the **Cybersecurity category** for the 2020 Australian Technologies Competition, recognising the excellence, innovation, and global scalability of the Company's Snare centralised log management solution, which is deployed by over 4,000 companies across the world. Organised by Impact Tech Ventures (ITV) and supported by the Department of Industry, Science, Energy & Resources and the Industry Growth Centres, the Australian Technologies Competition recognises Australian technology 'scaleups' with the greatest global potential.

##### Finalist: ARN Innovation Awards 2020

During the year, technology industry publisher *ARN* announced the winners of the 2020 ARN Innovation Awards, which received over 400 submissions from 180 organisations. This year's highly competitive class included eMite as a finalist in the ISV category.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Directors' Report For the Year Ended 30 June 2021

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 2021.

### 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

##### Chair and Independent Non-executive Director

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. 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	7,790,107 ordinary shares in Prophecy International Holdings Limited and no options
Special responsibilities	Chairman of the Board of Directors Chair of the Strategy Committee Member of the Remuneration Committee Member of the Audit Committee
Other current directorships in listed entities now and in the previous 3 years	None

#### Grant R Miles

##### Independent Non-executive Director

Qualifications	Bachelor of Arts in Accountancy
Experience	Chartered Accountant – Fellow (FCA) Grant is the Managing Partner of Moore Stephens (SA) Pty Ltd 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 Chair of the Audit Committee Chair of the Remuneration Committee
Other current directorships in listed entities now and in the previous 3 years	None

# Prophecy International Holdings Limited and Controlled Entities

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## Directors' Report

For the Year Ended 30 June 2021

### 1. General information continued

#### Information on directors continued

##### Leanne Challans

##### Independent Non-executive Director

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

##### Matthew Michalewicz

##### Independent Non-executive Director

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) 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 2021**

### **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 \$2,823,369 down 52% on the 30 June 2020 result (2020 - \$5,926,348).

The consolidated loss after tax of the Group amounted to \$2,033,479 this represented a 63% decrease on the results reported for the year ended 30 June 2020 (2020 - \$5,493,984).

#### **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 "Review of Operations" in this report.

### **3. Other items**

#### **Significant changes in state of affairs**

No significant changes.

#### **Dividends paid or recommended**

No dividend has been paid or declared during the financial year.

#### **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.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Directors' Report For the Year Ended 30 June 2021

### 3. Other items continued

#### Future developments and results

Comments on the company's future direction are included in the "Letter 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 Australia (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 \$54,881 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.



## **Directors' Report**

### **For the Year Ended 30 June 2021**

#### **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 2021:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Taxation services	26,100	27,700

##### **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.

## **Directors' Report**

### **For the Year Ended 30 June 2021**

#### **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 2020/21 year.

Key management personnel receive a superannuation guarantee contribution required by the law, which is currently 10%, 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
John Pappas (Appointed 1 July 2020)	VP – Sales – Prophecy Americas'
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.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Directors' Report

For the Year Ended 30 June 2021

### 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.

	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$
Revenue	13,320,572	13,748,332	12,113,982	10,676,203	9,188,005
Profit/(Loss) before tax	(2,823,369)	(5,926,348)	(1,339,152)	(841,060)	(610,585)
Profit/(Loss) after tax	(2,033,479)	(5,493,984)	(1,454,825)	(791,386)	1,955,795
Profit/(Loss) attributable to members after tax	(2,042,551)	(5,504,703)	(1,398,949)	(730,194)	1,975,519
Share price at year-end	0.55	0.79	0.28	0.43	0.51
Dividends paid (cents)	0.00	0.50	0.00	0.00	2.00
Net tangible assets per share (cents)	0.001	0.010	0.006	0.009	0.014

##### 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
		%	%	%
<b>KMP</b>				
Brad Thomas	CEO – Prophecy Group	-	-	-
John Pappas	VP – Sales – Prophecy Americas'	31%	-	-
Stuart Geros	CINO – Prophecy Group	11%	-	-
Steve Challans	CISO – Prophecy Group	-	-	-
Stephen Irecki	Director, Global Customer Operations	9%	-	-
Peter Barzen (Ceased 1 July 2020)	EVP Global Strategic Alliances	-	-	-

## **Directors' Report**

### **For the Year Ended 30 June 2021**

#### **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 year.

###### **Remuneration details for the year ended 30 June 2021**

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.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Directors' Report

For the Year Ended 30 June 2021

### 3. Other items continued

#### Remuneration report (audited) continued

#### Remuneration details for the year ended 30 June 2021 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	Total	Performance based on % of remuneration
		Cash salary Fees	Cash bonus	Consulting fees	Non-monetary benefits	Health care & Allowances	Superannuation	Long Service Leave	Shares		
Year		\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>											
<b>Ed Reynolds</b>	<b>2021</b>	<b>39,000</b>	-	<b>68,436</b>	-	-	<b>3,705</b>	-	-	<b>111,141</b>	-
	2020	39,000	-	68,346	-	-	3,705	-	-	111,051	-
<b>Leanne Challans</b>	<b>2021</b>	<b>70,000</b>	-	<b>34,055</b>	-	-	<b>9,885</b>	-	-	<b>113,940</b>	-
	2020	70,000	-	42,700	-	-	10,707	-	-	123,407	-
<b>Matthew Michalewicz</b>	<b>2021</b>	<b>70,000</b>	-	-	-	-	-	-	-	<b>70,000</b>	-
	2020	70,000	-	-	-	-	-	-	-	70,000	-
<b>Grant R Miles</b>	<b>2021</b>	<b>70,000</b>	-	-	-	-	-	-	-	<b>70,000</b>	-
	2020	70,000	-	-	-	-	-	-	-	70,000	-
<b>KMP</b>											
<b>Brad Thomas</b>	<b>2021</b>	<b>272,500</b>	-	-	<b>7,418</b>	-	<b>25,000</b>	<b>9,199</b>	-	<b>314,117</b>	-
	2020	272,500	-	-	12,079	-	25,000	6,399	-	315,978	-
<b>John Pappas</b> (Appointed 1 July 2020)	<b>2021</b>	<b>235,448</b>	<b>124,907</b>	-	<b>13,382</b>	<b>14,406</b>	<b>10,811</b>	-	-	<b>398,954</b>	<b>31%</b>
	2020	-	-	-	-	-	-	-	-	-	-
<b>Stuart Geros</b>	<b>2021</b>	<b>250,005</b>	<b>38,333</b>	-	<b>14,743</b>	-	<b>25,000</b>	<b>10,997</b>	-	<b>339,078</b>	<b>11%</b>
	2020	250,005	33,953	-	18,839	-	25,000	8,143	-	335,940	10%
<b>Steve Challans</b>	<b>2021</b>	<b>189,000</b>	-	-	<b>1,075</b>	-	<b>17,955</b>	<b>5,910</b>	-	<b>213,940</b>	<b>0%</b>
	2020	180,875	9,526	-	11,568	-	18,088	13,460	-	233,517	4%
<b>Stephen Irecki</b>	<b>2021</b>	<b>220,224</b>	<b>23,286</b>	-	<b>12,850</b>	-	-	<b>1,686</b>	-	<b>258,046</b>	<b>9%</b>
	2020	217,984	19,160	-	5,036	-	-	2,252	13,300	257,732	12%
<b>Peter Barzen</b> (Ceased 1 July 2020)	<b>2020</b>	<b>186,811</b>	<b>218,587</b>	-	<b>(8,257)</b>	<b>33,210</b>	<b>31,393</b>	-	-	<b>461,744</b>	<b>47%</b>
<b>2021 Total</b>	<b>2021</b>	<b>1,416,177</b>	<b>186,526</b>	<b>102,491</b>	<b>49,468</b>	<b>14,406</b>	<b>92,356</b>	<b>27,792</b>	-	<b>1,889,216</b>	
<b>2020 Total</b>	<b>2020</b>	<b>1,357,175</b>	<b>281,226</b>	<b>111,046</b>	<b>39,265</b>	<b>33,210</b>	<b>113,893</b>	<b>30,254</b>	<b>13,300</b>	<b>1,979,369</b>	

## **Directors' Report**

### **For the Year Ended 30 June 2021**

#### **3. Other items continued**

##### **Remuneration report (audited) continued**

##### **Remuneration details for the year ended 30 June 2021 continued**

The remuneration detailed above for Ed Reynolds includes director's fees of \$100,000 and consulting fees of \$7,436 (2020 – director's fees \$100,000 and consulting fees \$7,346) of which \$68,436 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 Australia (SA) Pty Ltd (\$60,000) and Rickaby Holdings Pty Ltd (\$10,000) both companies directed by Grant R Miles.

Short term cash bonuses for John Pappas, Stuart Geros, Stephen Irecki and Peter Barzen 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 received any securities during this year or the prior year as remuneration.

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

Prophecy International Holdings Limited received more than 95% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2020. 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.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Directors' Report

For the Year Ended 30 June 2021

### 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
<b>30 June 2021</b>						
Ed Reynolds	7,770,000	-	20,107	-	-	7,790,107
*Leanne R Challans	774,880	-	-	-	-	774,880
Matthew T Michalewicz	100,000	-	-	-	-	100,000
Grant R Miles	150,000	-	-	-	-	150,000
<b>Other KMP</b>						
Brad Thomas	86,681	-	-	-	-	86,681
John Pappas	-	-	-	-	-	-
Stuart Geros	1,702,665	-	55,000	(30,000)	-	1,727,665
*Steve Challans	774,880	-	-	-	-	774,880
Stephen Irecki	19,000	-	-	-	-	19,000
	<b>11,378,106</b>	<b>-</b>	<b>75,107</b>	<b>(30,000)</b>	<b>-</b>	<b>11,423,213</b>

\*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 Australia (SA) Pty Ltd, a company directed by Grant Miles, provided Accounting services to the Group of \$23,113 (2020: \$36,287).

#### **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.

# Prophecy International Holdings Limited and Controlled Entities

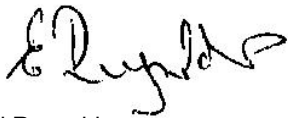
ABN: 16 079 971 618

## Directors' Report

For the Year Ended 30 June 2021

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2021 has been received and can be found on page 24 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 30<sup>th</sup> day of September, 2021



## 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 2021, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner – Audit & Assurance

Adelaide, 30 September 2021

**Prophecy International Holdings Limited and Controlled Entities**

ABN: 16 079 971 618

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

**For the Year Ended 30 June 2021**

	2021	2020
Note	\$	\$
Revenue from continuing operations	2 <b>12,840,733</b>	13,594,435
Other income	<b>479,839</b>	153,897
Employee benefits expense	3 <b>(9,432,503)</b>	(8,874,482)
Depreciation and amortisation expense	3 <b>(1,865,152)</b>	(1,864,945)
Impairment expense – intangible assets	3 -	(4,670,746)
Other expenses	3 <b>(4,796,983)</b>	(4,230,938)
Finance costs	<b>(49,303)</b>	(33,569)
<b>Loss before income tax</b>	<b>(2,823,369)</b>	(5,926,348)
Income tax benefit/(expense)	4 <b>789,890</b>	432,364
<b>Loss for the year</b>	<b>(2,033,479)</b>	(5,493,984)
<b>Other comprehensive income, net of income tax</b>		
<b>Items that will be reclassified to profit or loss when specific conditions are met</b>		
Exchange differences on translating foreign controlled entities	<b>278,068</b>	35,077
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>278,068</b>	35,077
<b>Total comprehensive loss for the year</b>	<b>(1,755,411)</b>	(5,458,907)
Profit/(Loss) attributable to:		
Members of the parent entity	<b>(2,042,551)</b>	(5,504,703)
Non-controlling interest	<b>9,072</b>	10,719
	<b>(2,033,479)</b>	(5,493,984)
Total comprehensive income/(loss) attributable to:		
Members of the parent entity	<b>(1,764,483)</b>	(5,469,626)
Non-controlling interest	<b>9,072</b>	10,719
	<b>(1,755,411)</b>	(5,458,907)
<b>Losses per share</b>		
From continuing operations:		
Basic earnings per share (cents)	8 <b>(3.19)</b>	(8.60)
Diluted earnings per share (cents)	8 <b>(3.19)</b>	(8.60)

The accompanying notes form part of these financial statements.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Consolidated Statement of Financial Position

As At 30 June 2021

	Note	2021 \$	2020 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	3,127,403	4,398,723
Financial assets	10	100,662	-
Trade and other receivables	11	2,552,412	2,903,934
Current tax receivable		328,674	-
Other assets	12	575,561	512,242
<b>TOTAL CURRENT ASSETS</b>		<b>6,684,712</b>	<b>7,814,899</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	11	7,489	8,201
Property, plant and equipment	14	244,368	353,924
Right to use assets	16	921,206	1,280,960
Deferred tax assets		796,723	1,071,565
Intangible assets	15	8,149,181	9,415,547
<b>TOTAL NON-CURRENT ASSETS</b>		<b>10,118,967</b>	<b>12,130,197</b>
<b>TOTAL ASSETS</b>		<b>16,803,679</b>	<b>19,945,096</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	1,393,702	1,288,130
Current tax liabilities		-	375,189
Employee benefits	19	1,173,551	1,017,665
Contract liabilities - Deferred income	18	3,199,630	3,603,248
Lease liabilities	16	531,757	482,478
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,298,640</b>	<b>6,766,710</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		383,818	1,109,046
Employee benefits	19	154,806	163,968
Lease liabilities	16	541,143	905,271
Contract liabilities - Deferred income	18	1,139,360	958,778
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,219,127</b>	<b>3,137,063</b>
<b>TOTAL LIABILITIES</b>		<b>8,517,767</b>	<b>9,903,773</b>
<b>NET ASSETS</b>		<b>8,285,912</b>	<b>10,041,323</b>
<b>EQUITY</b>			
Issued capital	20	28,501,869	28,501,869
Reserves		(31,390)	(309,458)
Accumulated losses		(19,862,291)	(17,819,740)
<b>Total equity attributable to equity holders of the Company</b>		<b>8,608,188</b>	<b>10,372,671</b>
Non-controlling interest		(322,276)	(331,348)
<b>TOTAL EQUITY</b>		<b>8,285,912</b>	<b>10,041,323</b>

The accompanying notes form part of these financial statements.

**Prophecy International Holdings Limited and Controlled Entities**

ABN: 16 079 971 618

**Consolidated Statement of Changes in Equity**

**For the Year Ended 30 June 2021**

2021

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2020</b>	<b>28,501,869</b>	<b>(17,819,740)</b>	<b>(434,283)</b>	<b>124,825</b>	<b>(331,348)</b>	<b>10,041,323</b>
Loss attributable to members of the parent entity	-	<b>(2,042,551)</b>	-	-	-	<b>(2,042,551)</b>
Profit attributable to non-controlling interests	-	-	-	-	<b>9,072</b>	<b>9,072</b>
Total other comprehensive income for the year	-	-	<b>278,068</b>	-	-	<b>278,068</b>
<b>Balance at 30 June 2021</b>	<b>28,501,869</b>	<b>(19,862,291)</b>	<b>(156,215)</b>	<b>124,825</b>	<b>(322,276)</b>	<b>8,285,912</b>

2020

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	28,469,564	(11,994,987)	(469,360)	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
<b>Transactions with owners in their capacity as owners</b>						
Shares issued during the year	32,305	-	-	-	-	32,305
Dividends paid or provided for	-	(320,050)	-	-	-	(320,050)
<b>Balance at 30 June 2020</b>	<b>28,501,869</b>	<b>(17,819,740)</b>	<b>(434,283)</b>	<b>124,825</b>	<b>(331,348)</b>	<b>10,041,323</b>

The accompanying notes form part of these financial statements.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2021

	2021	2020
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	13,421,531	13,424,134
Payments to suppliers and employees	(13,590,709)	(12,269,571)
Interest received	1,839	4,056
Income taxes paid	(209,133)	-
Net cash provided by operating activities	24 <u>(376,472)</u>	<u>1,158,619</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	<u>(32,706)</u>	<u>(281,889)</u>
Net cash provided used in investing activities	<u>(32,706)</u>	<u>(281,889)</u>
Proceeds from issue of shares	-	32,305
Payment of lease liabilities	(539,519)	(517,948)
Dividends paid by parent entity	-	(320,050)
Net cash provided used in financing activities	<u>(539,519)</u>	<u>(805,693)</u>
Effects of foreign exchange rates on overseas cash holdings	<u>(322,623)</u>	<u>(47,949)</u>
Net increase in cash and cash equivalents held	(1,271,320)	23,088
Cash and cash equivalents at beginning of year	4,398,723	4,375,635
Cash and cash equivalents at end of financial year	9 <u><u>3,127,403</u></u>	<u><u>4,398,723</u></u>

The accompanying notes form part of these financial statements.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Notes to the Financial Statements

For the Year Ended 30 June 2021

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 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.

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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 Summary of Significant Accounting Policies continued**

#### **(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.

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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 Summary of Significant Accounting Policies continued**

#### **(d) Property, Plant and Equipment continued**

##### **Depreciation continued**

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:

<b>Fixed asset class</b>	<b>Depreciation rate</b>
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.



## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 Summary of Significant Accounting Policies continued**

#### **(e) Financial Instruments continued**

##### ***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'.

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).

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 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.

##### **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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 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 10% 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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 Summary of Significant Accounting Policies continued**

#### **(I) Leases**

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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 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).



## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 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) R&D Tax Incentive**

The Group is entitled to claim R&D tax incentives in Australia. The R&D tax incentive is calculated using the estimated R&D expenditure multiplied by a 43.5% non-refundable tax offset. The Group accounts for this incentive as negative income tax expense.

#### **(s) 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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 Summary of Significant Accounting Policies continued**

#### **(t) 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 – Research and development incentive**

Estimates are made at each reporting date relating eligible expenditure to be claimed by the company pursuant to the research and development tax incentive. The research and development tax incentive is one of the key elements of the Australian Government's support for Australia's innovation system and is supported by legislative law primarily in the form of the Australian Income Tax Assessment Act 1997 as long as eligibility criteria are met. Generally speaking, entities which are an R&D entity involved in eligible R&D activities may claim research and development tax incentive as follows:

- as a refundable tax credit if aggregate turnover (which generally means an entity's total income that it derives in the ordinary course of carrying on a business, subject to certain exclusions) of the entity is less than A\$20 million, or
- as a non-refundable tax credit if aggregate turnover of the entity is more than A\$20 million.

The company has updated its estimate of eligible expenditure between the release of the preliminary results to the market on 30 August 2021 as a result of further analysis of expenditure. The impact of the update has to reduce the loss after tax for the year by \$186,755 and increase income tax receivables by the same amount.

##### **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 conditions under which these tax losses maybe utilised can be found in Note 25.

##### **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 1(f)).

##### **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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **1 Summary of Significant Accounting Policies continued**

#### **(u) 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.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 2 Revenue and Other Income

#### Revenue from continuing operations

	2021	2020
	\$	\$
Sales revenue		
- licence sales	8,001,197	8,565,875
- maintenance fees	4,464,239	4,646,722
- consulting sales	375,297	381,838
	<u>12,840,733</u>	<u>13,594,435</u>

The Group's revenue is disaggregated as follows:

	Legacy		Snare		eMite		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Goods or services transferred at a point in time								
- licence sales	262,420	449,865	3,746,062	5,326,814	581,448	-	4,589,930	5,776,679
- consulting sales	14,645	-	169,616	98,790	191,036	283,048	375,297	381,838
	<u>277,065</u>	<u>449,865</u>	<u>3,915,678</u>	<u>5,425,604</u>	<u>772,484</u>	<u>283,048</u>	<u>4,965,227</u>	<u>6,158,517</u>
Goods or services transferred over time								
- licence sales	-	-	11,791	93,530	3,399,476	2,695,666	3,411,267	2,789,196
- maintenance fees	180,570	206,769	3,814,579	3,895,055	469,090	544,898	4,464,239	4,646,722
	<u>180,570</u>	<u>206,769</u>	<u>3,826,370</u>	<u>3,988,585</u>	<u>3,868,566</u>	<u>3,240,564</u>	<u>7,875,506</u>	<u>7,435,918</u>
<b>Total</b>	<u><b>457,635</b></u>	<u><b>656,634</b></u>	<u><b>7,742,048</b></u>	<u><b>9,414,189</b></u>	<u><b>4,641,050</b></u>	<u><b>3,523,612</b></u>	<u><b>12,840,733</b></u>	<u><b>13,594,435</b></u>

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 3 Result for the Year

The result for the year includes the following specific expenses:

	2021	2020
	\$	\$
Salaries and wages	6,646,159	5,779,389
Commissions	971,800	1,137,376
Superannuation contributions	473,447	394,759
Payroll taxes	449,766	396,094
Consultants	362,508	500,352
Medical expenses	298,206	235,019
AL & LSL expenses	159,283	293,080
Other employee benefit expenses	71,334	138,413
	<b>9,432,503</b>	<b>8,874,482</b>
Depreciation and amortisation expense comprises:		
- Depreciation - plant and equipment	139,469	180,408
- Depreciation - right of use assets	459,317	371,155
- Amortisation - intellectual property	800,000	800,000
- Amortisation - development costs	466,366	513,382
	<b>1,865,152</b>	<b>1,864,945</b>
- Impairment of intangible assets	-	4,670,746
<b>Other Expenses:</b>		
Accounting fees	154,484	152,424
Consulting and professional fees	1,716,802	1,440,182
Filing fees	77,864	81,223
Insurance	146,677	139,189
Marketing	186,743	140,173
Strata fees	80,020	-
Expected credit losses	120,687	-
Communications expense	1,073,156	1,080,383
Software including annual maintenance	679,931	607,802
Travel and accommodation	10,449	228,769
Other expenses	550,170	360,793
	<b>4,796,983</b>	<b>4,230,938</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 4 Income Tax Expense

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

	2021	2020
	\$	\$
Current tax expense	<b>(328,674)</b>	145,294
Deferred tax expense	<b>(302,644)</b>	(212,301)
Adjustments for current tax of prior periods	<b>(158,572)</b>	(365,357)
<b>Total income tax expense/(benefit)</b>	<b><u>(789,890)</u></b>	<b><u>(432,364)</u></b>

(b) Reconciliation of income tax to accounting profit:

Profit before income tax	<b>(2,823,369)</b>	(5,926,348)
Income tax at 26% (2020: 27.5%)	<b>(734,076)</b>	(1,629,745)

Add:

Tax effect of:

- non-deductible depreciation, amortisation and impairment	<b>595,259</b>	1,515,102
- non-deductible expenses	<b>306</b>	2,672
- tax losses not recognised – overseas subs	<b>23,948</b>	44,965
- R&D tax offset	<b>(516,755)</b>	-
	<b><u>(631,318)</u></b>	<b><u>(67,007)</u></b>

Less:

Tax effect of:

- over provision for income tax in prior year	<b>158,572</b>	365,358
- non-assessable income	-	-
- other	-	-
- Recoupment of prior year tax losses not previously brought to account	-	-
Income tax expense	<b><u>(789,890)</u></b>	<b><u>(432,364)</u></b>

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 5 Key Management Personnel Disclosures

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

	2021	2020
	\$	\$
Short-term employee benefits	1,769,068	1,821,922
Long-term benefits	27,792	30,254
Post-employment benefits	92,356	113,893
Share-based payments	-	13,300
	<u>1,889,216</u>	<u>1,979,369</u>

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 2021.

### 6 Remuneration of Auditors

Remuneration of the auditor of the parent entity, Grant Thornton, for:

- auditing or reviewing the financial statements	104,248	97,925
- taxation services	26,100	27,700

Remuneration of other auditors (not Grant Thornton) of subsidiaries for:

- auditing or reviewing the financial statements of subsidiaries	10,819	11,318
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<b>Total</b>	<u>141,167</u>	<u>136,943</u>
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### 7 Dividends

a. The following dividends were declared and paid:

Interim unfranked ordinary dividend of nil (2020: 0.5) cents per share	-	320,050
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#### Franking account

The franking credits available for subsequent financial years at a tax rate of 26%	141,574	123,308
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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 (2020: zero).

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

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 8 Earnings per Share

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

	2021	2020
	\$	\$
Loss after income tax attributable to the owners of Prophecy International Holdings Limited	<u>(2,042,551)</u>	<u>(5,504,703)</u>

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

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<u>64,055,934</u>	64,013,441
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>64,055,934</u>	64,013,441

### 9 Cash and Cash Equivalents

	\$	\$
Cash at bank in hand	2,996,222	4,177,244
Short-term bank deposits	131,181	221,479
	<u>3,127,403</u>	<u>4,398,723</u>

### 10 Financial Assets

Term deposits	<u>100,662</u>	-
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### 11 Trade and Other Receivables

CURRENT		
Trade receivables	2,444,191	2,492,262
Provision for impairment	(120,687)	-
Accrued revenue	228,908	379,683
Other receivables	-	31,989
<b>Total current trade and other receivables</b>	<u>2,552,412</u>	<u>2,903,934</u>
NON-CURRENT		
Deposits	24	24
Other receivables	7,465	8,177
<b>Total non-current trade and other receivables</b>	<u>7,489</u>	<u>8,201</u>



## Prophecy International Holdings Limited and Controlled Entities

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### Notes to the Financial Statements

For the Year Ended 30 June 2021

#### 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
<b>2021</b>						
Expected loss rate	0%	0%	0%	0%	82%	
Gross carrying amount						
- trade and other receivables	<b>2,170,826</b>	<b>252,238</b>	<b>12,382</b>	<b>97,849</b>	<b>26,606</b>	<b>2,559,901</b>
Loss allowance	-	-	-	-	<b>120,687</b>	<b>120,687</b>
<b>2020</b>						
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	-	-	-	-	-	-

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 24 months before 30 June 2021 and 30 June 2020 respectively as well as the corresponding historical credit losses during that period. The historical rates are not adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding as it is considered that there are no other factors which are not already reflected in the historical rates.

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.

#### 12 Other Non-financial Assets

	2021	2020
	\$	\$
Prepayments	<b>575,561</b>	512,242

## Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

### Notes to the Financial Statements

For the Year Ended 30 June 2021

#### 13 Interests in Subsidiaries

##### Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%) <sup>*</sup> 2021	Percentage Owned (%) <sup>*</sup> 2020
<b>Subsidiaries:</b>			
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.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 14 Property, Plant and Equipment

	2021 \$	2020 \$
Plant and equipment		
At cost	1,306,190	1,290,292
Accumulated depreciation	(1,077,138)	(958,670)
<b>Total plant and equipment</b>	<b>229,052</b>	<b>331,622</b>
Furniture, fixtures and fittings		
At cost	237,629	241,465
Accumulated depreciation	(222,313)	(219,163)
<b>Total furniture, fixtures and fittings</b>	<b>15,316</b>	<b>22,302</b>
<b>Total property, plant and equipment</b>	<b>244,368</b>	<b>353,924</b>

#### 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 \$
<b>Year ended 30 June 2021</b>			
Balance at the beginning of year	331,622	22,302	353,924
Additions	32,706	-	32,706
Depreciation expense	(133,296)	(6,173)	(139,469)
Foreign exchange movements	(1,980)	(813)	(2,793)
<b>Balance at the end of the year</b>	<b>229,052</b>	<b>15,316</b>	<b>244,368</b>
<b>Year ended 30 June 2020</b>			
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
<b>Balance at the end of the year</b>	<b>331,622</b>	<b>22,302</b>	<b>353,924</b>

# Prophecy International Holdings Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 15 Intangible Assets

	2021 \$	2020 \$
Goodwill		
Cost	5,108,270	5,108,270
Accumulated impairment losses	<u>(2,981,455)</u>	<u>(2,981,455)</u>
<b>Net carrying value</b>	<b><u>2,126,815</u></b>	<b><u>2,126,815</u></b>
Intellectual property		
Cost	12,720,000	12,720,000
Accumulated amortisation and impairment	<u>(7,209,291)</u>	<u>(6,409,291)</u>
<b>Net carrying value</b>	<b><u>5,510,709</u></b>	<b><u>6,310,709</u></b>
Development costs		
Cost	2,678,372	2,678,372
Accumulated amortisation and impairment	<u>(2,166,715)</u>	<u>(1,700,349)</u>
<b>Net carrying value</b>	<b><u>511,657</u></b>	<b><u>978,023</u></b>
<b>Total Intangibles</b>	<b><u><u>8,149,181</u></u></b>	<b><u><u>9,415,547</u></u></b>

#### Movements in carrying amounts of intangible assets

	Intellectual property \$	Goodwill \$	Development costs \$	Total \$
<b>Year ended 30 June 2021</b>				
Balance at the beginning of the year	6,310,709	2,126,815	978,023	9,415,547
Amortisation	(800,000)	-	(466,366)	(1,266,366)
Impairment loss	-	-	-	-
<b>Closing value at 30 June 2021</b>	<b><u>5,510,709</u></b>	<b><u>2,126,815</u></b>	<b><u>511,657</u></b>	<b><u>8,149,181</u></b>
<b>Year ended 30 June 2020</b>				
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)
<b>Closing value at 30 June 2020</b>	<b><u>6,310,709</u></b>	<b><u>2,126,815</u></b>	<b><u>978,023</u></b>	<b><u>9,415,547</u></b>

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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **15 Intangible Assets continued**

Goodwill with a carrying value of \$2,126,815 (2020: \$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 projections over a 3 year period at a post-tax discount rate of 16.2%. It is estimated an ongoing growth rate of 2.5% pa to perpetuity 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 16.2% to 18.5%, no impairment expenses would have recognised.

Goodwill with a carrying value of \$nil (2020: \$nil) and Intellectual Property with a carrying value of \$5,510,709 (2020: \$6,310,709) has been allocated to the eMite CGU. 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 projections over a 3 year period at a post-tax discount rate of 16.2%. It is estimated an ongoing growth rate of 2.5% pa to perpetuity in the future cash flows in this VIU calculation. If the discount rate, which is based on the estimate of the eMite CGU's weighted average cost of capital, had been increased from 16.2% to 18.5%, no impairment expenses would have recognised.

Intellectual Property relates to copyright in eMite CGU software products. These products have a remaining amortisation period of 7 years.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 16 Leases

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

	2021 \$
<b>Year ended 30 June 2021</b>	
As at 1 July 2020	1,280,960
Increase - new leases and adjustments	99,563
Depreciation	<u>(459,317)</u>
<b>Balance at end of year</b>	<u><u>921,206</u></u>
	2020 \$
<b>Year ended 30 June 2020</b>	
As at 1 July 2019	508,125
Increases - new leases	1,143,990
Depreciation	<u>(371,155)</u>
<b>Balance at end of year</b>	<u><u>1,280,960</u></u>

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

	2021 \$
Current	531,757
Non-current	541,143
<b>Balance at end of year</b>	<u><u>1,072,900</u></u>

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

	< 1 year \$	1 - 5 years \$	> 5 years \$	Total \$
<b>2021</b>				
Lease liabilities	531,757	541,143	-	1,072,900
<b>2020</b>				
Lease liabilities	482,478	905,271	-	1,387,749

# Prophecy International Holdings Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 17 Trade and Other Payables

	2021	2020
Note	\$	\$
Trade payables	677,050	679,801
Sundry payables and accrued expenses	713,995	605,672
Other payables	2,657	2,657
	<u>1,393,702</u>	<u>1,288,130</u>
28	<u>1,393,702</u>	<u>1,288,130</u>

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

#### CURRENT

Deferred income

3,199,630      3,603,248

#### NON-CURRENT

Deferred income

1,139,360      958,778

### 19 Employee Benefits

#### CURRENT

Long service leave

353,095      314,461

Annual leave

820,456      703,204

1,173,551      1,017,665

#### NON-CURRENT

Long service leave

154,806      163,968

## Prophecy International Holdings Limited and Controlled Entities

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### Notes to the Financial Statements

For the Year Ended 30 June 2021

#### 20 Issued Capital

	2021	2020
	\$	\$
64,055,934 (2020: 64,055,934) Ordinary shares	<u>28,501,869</u>	<u>28,501,869</u>

#### (a) Ordinary shares

	No.	No.
At the beginning of the reporting year	64,055,934	64,009,784
Shares issued during the year	-	46,150
At the end of the reporting year	<u>64,055,934</u>	<u>64,055,934</u>

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.



## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **21 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 \$201,843 (2020: \$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.

### **22 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.

### **23 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.

# Prophecy International Holdings Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 24 Cash Flow Information

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

	2021	2020
	\$	\$
Loss for the year	(2,033,479)	(5,493,984)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	1,865,152	6,242,000
- foreign exchange (gain)/loss	369,735	58,936
- foreign exchange differences arising on translation of foreign subsidiaries	155,226	19,411
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	325,838	(692,199)
- (increase)/decrease in other assets	84,834	(171,025)
- (increase)/decrease in deferred tax asset	274,842	(798,148)
- (increase)/decrease in income tax receivable	(328,674)	-
- increase/(decrease) in income in advance	(223,036)	372,058
- increase/(decrease) in trade and other payables	93,152	983,195
- increase/(decrease) in income taxes payable	(375,189)	(209,378)
- increase/(decrease) in deferred tax liability	(725,228)	555,851
- increase/(decrease) in employee benefits	140,355	291,902
Cashflows from operations	<u>(376,472)</u>	<u>1,158,619</u>

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

Credit facility	40,000	40,000
Amount utilised	(2,154)	(1,477)
	<u>37,846</u>	<u>38,523</u>

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.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 25 Tax

	2021 \$	2020 \$
<b>Current Tax Asset</b>		
Tax receivable	<u>328,674</u>	-
<b>Current Tax Liability</b>		
Income tax payable	-	<u>375,189</u>
<b>Recognised deferred tax assets and liabilities</b>		
Deferred tax assets	<u>796,723</u>	1,071,565
Deferred tax liabilities	<u>383,818</u>	1,109,046

### Unrecognised deferred tax assets

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

Tax losses	6,145,696	6,052,063
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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	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
<b>Balance at 30 June 2020</b>	<u>273,417</u>	<u>768,151</u>	29,997	1,071,565
Property, plant and equipment				
- tax allowance	6,507	(3,004)	-	3,503
Provisions - employee benefits	278,751	5,423	-	284,174
Unrealised foreign exchange	66,542	(1,859)	-	64,683
Accruals	29,249	(6,899)	-	22,350
Deferred tax assets attributable to tax losses	-	111,430	-	111,430
Other deductions	277	(131)	-	146
Leases	690,239	(379,802)	-	310,437
<b>Balance at 30 June 2021</b>	<u>1,071,565</u>	<u>(274,842)</u>	796,723	796,723

## Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

### Notes to the Financial Statements

For the Year Ended 30 June 2020

#### 25 Tax continued

##### Deferred Tax Liabilities

	Opening Balance	Charged to Income	Charged directly to Equity	Closing Balance
	\$	\$	\$	\$
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
<b>Balance at 30 June 2020</b>	<b>553,195</b>	<b>555,851</b>	<b>-</b>	<b>1,109,046</b>
Work in progress	(21,236)	21,236	-	-
Prepayments	(3,987)	(1,158)	-	(5,145)
Other current assets	(276,106)	263,886	-	(12,220)
Property, plant and equipment	-	(133,031)	-	(133,031)
Unrealised foreign currency gains	(152,587)	34,190	89,657	(28,740)
Leases	(655,129)	450,447	-	(204,682)
<b>Balance at 30 June 2021</b>	<b>(1,109,045)</b>	<b>635,570</b>	<b>89,657</b>	<b>(383,818)</b>

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **26 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 26%. The effect of taxable or deductible temporary differences is not included for internal reporting purposes.

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

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

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

###### **(b) Segment assets**

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

###### **(c) Segment liabilities**

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

###### **(d) Unallocated items**

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

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

**Prophecy International Holdings Limited and Controlled Entities**

ABN: 16 079 971 618

**Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

**26 Operating Segments continued**

**(e) Segment performance**

	Legacy		SNARE		eMite		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>								
External sales	457,635	630,428	7,742,048	9,533,924	4,641,050	3,430,083	12,840,733	13,594,435
Other revenue	178,505	79,298	100,012	41	201,322	74,558	479,839	153,897
<b>Total segment revenue</b>	<b>636,140</b>	<b>709,726</b>	<b>7,842,060</b>	<b>9,533,965</b>	<b>4,842,372</b>	<b>3,504,641</b>	<b>13,320,572</b>	<b>13,748,332</b>
<b>Segment operating profit/(loss)</b>	<b>(1,862,186)</b>	<b>(1,674,280)</b>	<b>(94,709)</b>	<b>2,525,017</b>	<b>(866,474)</b>	<b>(6,777,085)</b>	<b>(2,823,369)</b>	<b>(5,926,348)</b>

The following amount is included in the measure of segment profit or loss:

- Impairment expense – intangible assets	-	-	-	-	-	(4,670,746)	-	(4,670,746)
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**(f) Segment assets**

<b>Segment assets</b>	1,002,002	2,292,549	7,109,656	7,906,517	7,895,298	8,674,465	16,006,956	18,873,531
- Capital expenditure	3,815	76,594	27,341	185,740	1,550	19,555	32,706	281,889

**(g) Segment liabilities**

<b>Segment liabilities</b>	1,989,621	2,220,895	4,512,511	4,293,698	1,631,817	1,904,945	8,133,949	8,419,538
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## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 26 Operating Segments continued

#### (h) Reconciliations

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

	2021	2020
	\$	\$
Total segment revenue	12,840,733	13,594,435

##### 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.

Segment net operating loss	(2,823,369)	(5,926,348)
Income tax benefit	789,890	432,364
Total net loss after tax	<u>(2,033,479)</u>	<u>(5,493,984)</u>

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

Segment operating assets	44,437,220	45,958,666
Intersegment eliminations	(36,579,445)	(36,500,682)
Deferred tax assets	796,723	1,071,565
Intangible assets	8,149,181	9,415,547
Total assets per the consolidated statement of financial position	<u>16,803,679</u>	<u>19,945,096</u>

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

Segment liabilities	55,860,671	54,181,877
Intersegment eliminations	(47,726,722)	(45,387,150)
Deferred tax liabilities	383,818	1,109,046
Total liabilities per the consolidated statement of financial position	<u>8,517,767</u>	<u>9,903,773</u>

#### (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.

	2021		2020	
	Revenue	Assets	Revenue	Assets
Australia	1,462,247	12,821,205	1,997,502	16,841,443
United States	10,230,258	3,909,842	10,580,973	3,043,633
Europe	1,118,034	72,632	1,001,192	60,020
Asia	30,194	-	14,768	-
	<u>12,840,733</u>	<u>16,803,679</u>	<u>13,594,435</u>	<u>19,945,096</u>

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 27 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.

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the company are set out below and detailed disclosures relating to remuneration are included in the remuneration report:

	2021	2020
	\$	\$
Short-term employee benefits	1,769,068	1,821,922
Long-term benefits	27,792	30,254
Post-employment benefits	92,356	113,893
Share-based payments	-	13,300
	<u>1,889,216</u>	<u>1,979,369</u>

Disclosures relating to key management personnel are set out in the remuneration report included 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:

	2021	2020
	\$	\$
Directors Fees of \$100,000 for Ed Reynolds were paid to: - Ed Reynolds (\$39,000) and - Reyer Investments Pty Ltd (\$61,000) 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.	7,436	7,346
Directors Fees of \$70,000 for Grant R Miles were paid to: - Moore Australia (SA) Pty Ltd (\$60,000); and - Rickaby Holdings Pty Ltd (\$10,000) as stated in the Remuneration Report included in the Directors' Report. Moore Australia (SA) Pty Ltd, a company directed by Grant R Miles, the Company Secretary and Director, provided Company Secretary and accounting services to the Group.	23,113	36,287
PYC Inc a company Peter Barzen is a partner in, had a profit share agreement up to 31st December 2019 with Snare Alliance.	-	11,902
<b>Total</b>	<u>30,549</u>	<u>55,535</u>



## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 28 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	2021 \$	2020 \$
<b>Financial assets at amortised costs</b>			
Cash and cash equivalents	9	<b>3,127,403</b>	4,398,723
Financial assets	10	<b>100,662</b>	-
Trade and other receivables	11	<b>2,559,901</b>	2,912,135
<b>Total financial assets at amortised costs</b>		<b>5,787,966</b>	7,310,858
<b>Financial liabilities at amortised costs</b>			
Trade and other payables	17	<b>1,393,702</b>	1,288,130
Lease liabilities	16	<b>1,072,900</b>	1,387,749
<b>Total financial liabilities at amortised costs</b>		<b>2,466,602</b>	2,675,879

#### 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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **28 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 a provision for impairment of receivables at 30 June 2021.

Trade and other receivables are all unrated.

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.

## Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

### Notes to the Financial Statements

For the Year Ended 30 June 2021

#### 28 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	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>						
Trade and other payables	<b>1,393,702</b>	1,288,130	-	-	<b>1,393,702</b>	1,288,130

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.

## Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

### Notes to the Financial Statements

For the Year Ended 30 June 2021

#### 28 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 \$					Total AUD \$
	USD \$	EUR \$	GBP \$	SGD \$	NZD \$	
<b>2021</b>						
Consolidated						
Trade and other receivables	<b>2,257,721</b>	<b>6,625</b>	<b>39,937</b>	-	<b>2,016</b>	<b>2,306,299</b>
Trade and other payables	<b>(518,787)</b>	-	<b>(59,363)</b>	-	-	<b>(578,150)</b>
<b>2020</b>						
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)

#### 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 0.75 US dollars, 0.54 UK pounds and 0.63 Euros.

If the Australian Dollar had strengthened and weakened against the US dollar, UK pound and Euro by +10% (30 June 2020: +10%) and -10% (30 June 2020: -10%) respectively then this would have had the following impact:

	2021		2020	
	+10%	-10%	+10%	-10%
<b>USD</b>				
Net results	<b>(186,056)</b>	<b>227,402</b>	(280,355)	342,656
Equity	<b>(72,572)</b>	<b>88,699</b>	(19,024)	23,251
<b>GBP</b>				
Net results	<b>(23,603)</b>	<b>28,848</b>	(3,051)	3,729
Equity	<b>1,410</b>	<b>(1,724)</b>	2,467	(3,015)
<b>Euro</b>				
Net results	<b>(2,032)</b>	<b>2,484</b>	(775)	947
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.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 29 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.

	2021	2020
	\$	\$
<b>Statement of Financial Position</b>		
Assets		
Current assets	8,911,125	9,157,685
Non-current assets	18,209,923	18,509,778
Total Assets	<u>27,121,048</u>	<u>27,667,463</u>
Liabilities		
Current liabilities	19,204,665	19,457,294
Non-current liabilities	233,422	655,129
Total Liabilities	<u>19,438,087</u>	<u>20,112,423</u>
Equity		
Issued capital	28,501,869	28,501,869
Accumulated losses	(20,943,733)	(21,071,654)
Share option reserve	124,825	124,825
Total Equity	<u>7,682,961</u>	<u>7,555,040</u>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Profit/(loss) for the year	<u>127,921</u>	<u>156,890</u>
<b>Total comprehensive income</b>	<u>127,921</u>	<u>156,890</u>

## **Prophecy International Holdings Limited and Controlled Entities**

ABN: 16 079 971 618

### **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

#### **29 Parent entity continued**

##### **Guarantees**

The parent entity has not entered into any guarantees as at 30 June 2021 or 30 June 2020.

##### **Contingent liabilities**

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020.

##### **Contractual commitments**

The parent entity did not have any commitments as at 30 June 2021 or 30 June 2020.

#### **30 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

# Prophecy International Holdings Limited and Controlled Entities

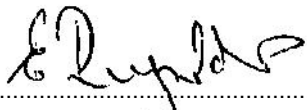
ABN: 16 079 971 618

## Directors' Declaration For the Year Ended 30 June 2021

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2021 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  .....  
Ed Reynolds

Director  .....  
Leanne Challans

Dated this 30<sup>th</sup> day of September, 2021

# 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 2021, 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 2021 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 (including Independence Standards)* (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
<p><b>Revenue – Notes 1(m) and 2</b></p> <p>The Group recorded revenue of \$12,840,733 for the year ended 30 June 2021. Revenue is the key driver of the Group and is generated through multiple revenue streams including:</p> <ul style="list-style-type: none"> <li>• License sales;</li> <li>• Maintenance fees; and</li> <li>• Consulting sales</li> </ul> <p>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 1(m).</p> <p>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.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Reviewing revenue recognition policies of individual customer agreements and contractual arrangements to ensure compliance with AASB 15;</li> <li>• Testing a sample of revenue transactions by agreeing the amounts with contract terms, delivery of performance obligations and other supporting documentation;</li> <li>• Analytically reviewing revenue streams against prior corresponding period to identify and assess potential anomalies; and</li> <li>• Assessing the adequacy of the Group's disclosures within the financial statements.</li> </ul>
<p><b>Recoverable amount of intangible assets Notes 1(g), 1(t) and 15</b></p> <p>At 30 June 2021, the carrying value of intangible assets was \$8,149,181.</p> <p>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.</p> <p>Management have tested for impairment by comparing the carrying amounts of the cash generating units (CGUs) with their recoverable amounts.</p> <p>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 CGU and applying a discount rate, which is based on its weighted average cost of capital, to those future cash flows.</p> <p>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.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting the processes and assessing whether internal controls are designed effectively relating to impairment considerations;</li> <li>• Evaluating management's assessment of CGU's and whether they meet the definition as prescribed by AASB 136 Impairment of Assets;</li> <li>• Obtaining management's impairment assessment and discounted cash flow model and performing the following procedures: <ul style="list-style-type: none"> <li>– Identifying the key assumptions in the model;</li> <li>– Obtaining evidence to support the key assumptions;</li> <li>– Performing sensitivity analysis on the key assumptions;</li> <li>– Testing the mathematical accuracy of the model;</li> <li>– Testing management's ability to perform accurate estimates by comparing historical forecasts to current year performance;</li> <li>– Involving an auditor's expert to assess the reasonableness of the discount rate ; and</li> </ul> </li> <li>• Assessing the adequacy of the Group's disclosures within the financial statements.</li> </ul>

### 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 2021, 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\\_responsibilities/ar1\\_2020.pdf](https://www.auasb.gov.au/auditors_responsibilities/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 2021.

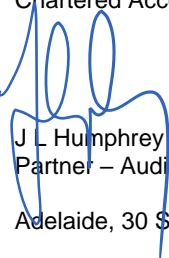
In our opinion, the Remuneration Report of Prophecy International Holdings Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

### 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, 30 September 2021

## Prophecy International Holdings Limited and Controlled Entities

### Additional Information for Listed Public Companies

For the Year Ended 30 June 2021

#### 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 30 September 2021.

#### 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

Holding	Ordinary shares	
	Shares	Options
1 - 1,000	351	0
1,001 - 5,000	513	0
5,001 - 10,000	278	0
10,001 - 100,000	386	0
100,000 and over	72	0
<b>Total</b>	<b>1600</b>	<b>0</b>

There were 247 holders of less than a marketable parcel of ordinary shares.

## Prophecy International Holdings Limited and Controlled Entities

### Additional Information for Listed Public Companies

For the Year Ended 30 June 2021

Rank	Twenty Largest Shareholders	Numbers Held	% of Ordinary
1.	BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAIL CLIENT DRP)	7,882,492	12.30%
2.	REYER INVESTMENTS PTY LTD (SUPER FUND A/C)	7,790,107	12.15%
3.	DUNMOORE PTY LTD	5,004,052	7.81%
4.	CITICORP NOMINEES PTY LIMITED	2,677,003	4.18%
5.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,840,715	2.87%
6.	MR STUART C GEROS + MRS MICHELLE D GEROS (THE EMERALD POINT FAM A/C)	1,707,665	2.66%
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,437,696	2.24%
7.	MICROEQUITIES ASSET MANAGEMENT PTY LTD	1,420,050	2.22%
9.	BOND STREET CUSTODIANS LIMITED <ECWMPL - D64640 A/C>	1,225,246	1.91%
10.	HOLDEN HOLDEN + ASSOCIATES PTY LTD	1,021,875	1.59%
11.	MR PETER JOSEPH BARZEN	945,882	1.48%
13.	FIVE TALENTS LIMITED – NEW ZEALAND	900,000	1.40%
12.	SMOOTHWARE PTY LTD	892,856	1.39%
14.	CUSTODIAL SERVICES LIMITED (BENEFICIARIES HOLDING A/C)	877,534	1.37%
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.	DR DEAN ANDARY	677,201	1.06%
18.	ANDAMAX INVESTMENTS PTY LTD	572,122	0.89%
19.	MR DARREL RAY SCHNEIDER <SCHNEIDER FAMILY JV A/C>	552,159	0.86%
20.	SILVERNINE PTY LTD	520,000	0.81%

## Prophecy International Holdings Limited and Controlled Entities

### Additional Information for Listed Public Companies For the Year Ended 30 June 2021

#### Substantial Shareholders

Substantial shareholders in the company are set out below:

Name	Ordinary Shares	% held
BNP PARIBAS NOMINEES PTY LTD	7,882,492	12.30%
REYER INVESTMENTS PTY LTD (SUPER FUND A/C)	7,790,107	12.15%
DUNMOORE PTY LTD	5,004,052	7.81%

#### 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.