PROPHECY INTERNATIONAL HOLDINGS LTD

ACN 079 971 618

Appendix 4E - Preliminary Final Report

For the Year Ended 30 June 2023

Prophecy International Holdings Ltd (ASX:PRO)

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Adelaide SA 5000 Australia
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ASX preliminary final report for the year ended 30 June 2023
Lodged with the ASX under listing Rule 4.3A

Results for announcement to the market
30 June 2023

Appendix 4E
Reference

		30 June 2023 $'000	30 June 2022 $'000	Variance $'000	Variance %
2.1	Revenue from ordinary activities	19,607	16,431	3,176	19%
2.2	Profit/(loss) From ordinary activities after tax	(2,479)	(1,670)	(809)	(48%)
2.3	Net profit/(loss) for the period attributable to members	(2,488)	(1,714)	(774)	(45%)
2.4	Dividends/distributions	No dividends have been paid or proposed.			
2.5	Record date	Not applicable			
2.6	Explanation of the figures in 2.1 to 2.4	Refer to the attached financial statements			
3	Statement of Comprehensive Income	Refer to the attached financial statements			
4	Statement of Financial Position	Refer to the attached financial statements			
5	Statement of Cash Flows	Refer to the attached financial statements			
6	Statement of Changes in Equity	Refer to the attached financial statements			
7	Details of Individual and total Dividends	Not applicable			
8	Details of dividend reinvestment plans in operation	Not applicable			
9	Net tangible assets per share (cents)	0.065 cents	0.098 cents	(0.033) cents	(34%)
10	Details of entities over which control has been gained or loss	Not applicable			
11	Details of associates or joint venture entities	Not applicable			
12	Any other significant information	Refer to the attached financial statements			
13	The Financial Statements are prepared in accordance with Australian Accounting Standards				
14	Commentary on the results for the period	Refer to the attached financial statements			
15	The 30 June 2023 financial report and accompanying notes for the Group are in the process of being audited and the Directors do not expect any disputes or qualifications.				
16	Not Applicable				
17	Not Applicable				

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

Results for Announcement to the Market
For the Year Ended 30 June 2023

For the Year Ended 30 June 2023

Prophecy International is a pure play business-to-business (B2B) and business-to-government (B2G) software and SaaS company servicing large enterprise and government customers globally.

Our customers are typically mid to large corporate companies in regulated industries, located anywhere in the world, State and Federal Governments, military and defence agencies. In the commercial world we are particularly relevant in the Banking & Finance; Energy, Oil & Gas; Health, Retail and Technology sectors. We go to market with both direct sales and through channels and partnerships and have partner relationships with some of the biggest IT companies in the world.

In a year overshadowed by economic uncertainty, increasing inflation and rising interest rates, the results achieved are particularly strong.

Financial Highlights

	FY23 Result	% Change YoY
Revenue	$19.6M	19% Increase
Invoicing	$22.6M	8% Increase
Cash Flow	($1.2M)	141% Decrease
Cash at Bank	$11.8M	9% Decrease
Income in Advance	$9.7M	18% Increase
Debt – excluding leases	Zero	No change
Annual Recurring Revenue (ARR)	$23.2M	26% Increase
Net profit / (loss) after tax	($2.5M)	47% Increase
Earnings before interest, tax, depreciation and amortisation (EBITDA)	($2.0M)	1000% Increase

FY23 saw the group achieve record revenue in the company's 40 year history, strong positive cash flow in the 2nd half and a positive increase in ARR across both eMite and Snare.

Cash reserves remain strong thanks to the cash flow in H2 and the company has sufficient funds to continue to fund growth in FY24. The company also has no debt.

Leadership

Leadership has remained steady this year with only one change. Paige Montgomery has resigned as Director of Marketing and the company is currently recruiting for a replacement.

Global Operations

The Company continues to be based in Adelaide with other Australian operations in Sydney. The offshore technical centre is based in Manila in the Philippines and Prophecy's sales teams are based in Sydney and Canberra in Australia, Denver, Colorado in the US and across the UK and Scotland in Europe. We are a globally distributed and diverse company with a growing global footprint.

On 1 March 2023, the Company's registered office address, principal administrative office address and contact details changed to:

Level 5
60 Waymouth Street
Adelaide SA 5000
Phone: +61 8 8213 1200

Results for Announcement to the Market

For the Year Ended 30 June 2023

FY23 saw the establishment of a wholly owned subsidiary in the Philippines to cater for growth of the strong team of mostly technical staff in Manila that have previously been hired through a third party outsourcer. Prophecy has established Prophecy Software Solutions Philippines Inc to bring this team in house.

eMite Background

eMite is the Company's full featured SaaS-based analytics platform targeted at the Customer Experience (CX) market. eMite helps our customers understand their CX operations and customers, enabling them to optimise their operations and provide differentiated service to their customers by breaking down data silos and making all CX data available for analysis, visualisation and reporting as they need it.

A typical large enterprise customer utilises multiple software platforms to deliver CX, including Chat and Chat Bots, Interactive Voice Response (IVR), Email, Contact Centre Software, CRM, Ticketing/Service Desk, Surveys, Transcription, Sentiment and Work Force Management. The data from these systems and interactions are typically siloed and unconnected and eMite acts as a data correlator bringing this data together in meaningful ways for analysis and to enable performance improvement.

eMite has an almost 100% channel-based go-to-market strategy driven by key partnerships with Genesys and Amazon Connect from AWS. We also have relationships with many implementation partners, resellers and system integrators including Telstra, Optus, NTT, BT, ConvergeOne and Kerv.

eMite continues to be a Platinum AppFoundry partner for Genesys. As a product that can be delivered either by SaaS or deployed on-premise we host our SaaS customers globally on both AWS and Oracle Cloud.

eMite Growth

eMite	FY23	% Change YoY
Revenue	$10.9M	47.84%
New Sales	$4.2M	-28.20%
ARR	$14.9M	22.04%

Prophecy's focus on international marketing through both the Genesys and Amazon Connect contact centre technology ecosystems continues to deliver strong growth in contracted sales for eMite. During the year, the Company won new eMite contracts worth $4.2M, with momentum increasing through the year. In Q4 FY23, the Company signed new eMite customer contracts covering more than 7,500 seats with aggregate 1st year contract value (1CV) of $1.3m.

eMite achieved 32% growth in invoicing over the previous corresponding period to $13.1M (FY22: $9.9M). This led impressive growth across the Company’s total invoicing of $22.6M.

The period saw Prophecy lap a particularly strong set of comparable sales which included the biggest contract in the Company's history (Humana). A number of significant large customers were invoiced for their annual eMite subscription in H2 of FY23, which had a significant positive effect on cash collection and cash flow for the full year.

eMite Customers

FY23 saw significant eMite customers come on board, driving continued increases in revenue and ARR.

The latest eMite sales activity includes household name customer wins in Prophecy's target geographies of UK, Europe, USA and Australia, spanning sectors including retail, utilities, auto manufacturing, health care, financial services, electronics and government. The Company signed new eMite customer contracts during FY23 with a diverse group of customers, including Macy's, Cochlear, the Australian Tax Office, Stellantis, Next Holdings, Hawaiian Electric, Amica Mutual Insurance, the New Zealand Accident Compensation Commission, European car-as-a-service provider LeasePlan and US healthcare benefits administrator Nations Benefits.

Results for Announcement to the Market

For the Year Ended 30 June 2023

In October 2022 Genesys announced the end of life and end of new development for a number of legacy platforms and products, including their leading on-premise solution “Engage”. Prophecy believes that this should accelerate the migration to cloud solutions for a large proportion of their on-premise customers in the large enterprise and government sectors. Early indicators of this shift are positive, with a number of new large household names and potential eMite clients coming into the sales pipeline within the first month of this announcement being made.

Prophecy's release of Integration Platform as a Service (IPaaS) increases the Company's opportunity to address more of the CX marketplace, including other vendor tools with Genesys and Amazon Connect and opening the Company’s integration capability to the entire CX ecosystem.

Snare Background

Snare is the Company's cybersecurity software product line. Through Snare, the Company provides critical government recommended or mandated security controls, including cyber threat detection, security information and event management (SIEM), alerting, forensics and centralised log management.

Snare is a suite of security monitoring tools designed to help answer questions like “did someone get in” and “what did they see/take/change?”. Once the bad guys are past your perimeter security then only by actively monitoring activity in your network can you see anomalous behaviour that could indicate a breach.

Many regulation and compliance mandates call for strong security monitoring tools, and Snare helps customers achieve regulatory compliance in areas like Sarbanes Oxley, NERC, HIPAA, PCI DSS and more.

Significant new products were released for Snare in FY23 including Snare Central 8.5. New capability includes Snare Management Centre - New capability to monitor and manage multiple remote Snare Central servers; Cyber Network Map – the first step to introducing comprehensive analytics capability inside Snare Central to enhance threat detection; Cloud Log Collection, enabling customers to collect logs from physical devices and cloud services including Office 365 and Azure Cloud.

Snare Growth

Snare	FY23	% Change YoY
Revenue	$7.9M	7.00%
New Sales	$5.3M	-21.76%
ARR	$4.2M	137.57%

Prophecy's focus on the USA, UK and Europe as key target markets is driving strong continued growth in both sales and pipeline for Snare. In FY23, the Company signed over 274 new Snare sales contracts with enterprise customers and governments across 5 continents, generating new sales of $4.9 million. In Q4 FY23, Snare signed contracts worth $1.6M.

Following Prophecy's development in FY22 of a subscription-based sales model for Snare and general availability of subscription pricing from 1 January 2022, the Company has seen this business unit's share of subscription-based recurring revenue rise noticeably.

An increasing number of Snare customers are grasping the advantages of the Opex/Capex flexibility provided by this new model, as indicated by subscription revenue constituting 50% of the Company's total new Snare sales in FY23 up from 25% of new sales last year. Total Snare subscriptions increased by 52% to $2.5M. Average deal sizes also continue to increase, despite moving to the subscription pricing model, to $18K. Compared to FY22, Snare had an expected decrease in invoicing due to the increase in the number of subscription sales in FY23.

Snare Customers

A selection of the Company's most newly-won Snare customers includes Northrop Grumman, BAE Systems, Verizon, Sonic Healthcare, Brown & Brown Insurance, Allens and the Australian Department of Defence.

Some of the Company's larger sales of Snare to new and existing customers earlier in FY23 included the UK Royal Air Force, Wolf Creek Nuclear Operating Corporation, PSEG Long Island and Westinghouse. As demonstrated by these brands, Snare continues to appeal to a broad range of regulated industries including banking & finance, energy, oil, gas and utilities, retail and health as well as government.

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

Results for Announcement to the Market

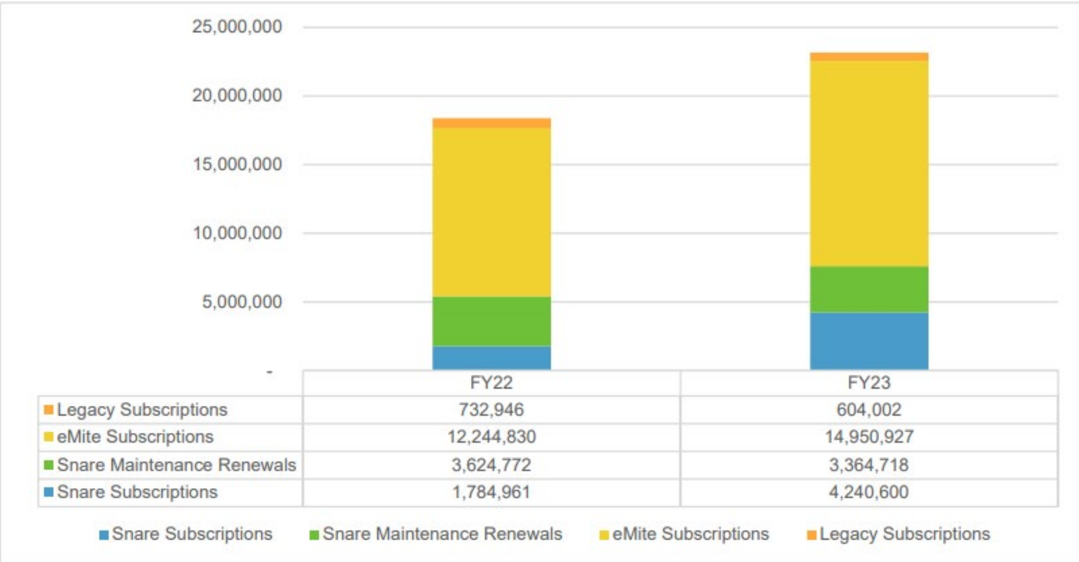
For the Year Ended 30 June 2023

Legacy Products

Only 2 customers remain on legacy products and both are in the process of migrating away from these outdated platforms and products. While we continued to generate revenue from these legacy customers in FY23, it is expected to end in FY24.

Operational Highlights

Prophecy continues to enhance its business operations to meet significant global market opportunities. This has allowed the Company to deliver strong growth in FY23, headlined by total Group annualised recurring revenue (ARR) increasing by 26% YoY to $23.2M.



	FY22	FY23
Legacy Subscriptions	732,946	604,002
eMite Subscriptions	12,244,830	14,950,927
Snare Maintenance Renewals	3,624,772	3,364,718
Snare Subscriptions	1,784,961	4,240,600

Strong growth by eMite led impressive growth across the Company's total invoicing of $22.6M with approximately $2.0M in positive cash flow generated in the second half. This provided the Company with a closing cash balance of $11.7M as at 30 June 2023 with no debt - excluding leases.

Partner Activity

Sales partnerships established earlier in FY23 with Optus, Fujitsu and Novacoast are beginning to yield customer wins and expand Prophecy's pipeline opportunities locally and in global markets.

During H1 FY23, Prophecy advised that the Company had signed a 5-year Master Supply Agreement (MSA) with Australian telecommunications leader Optus Networks Pty Ltd ("Optus"). The MSA allows for Prophecy to supply both eMite and Snare to Optus group companies and customers.

The first eMite deal under the MSA, with a key Optus government customer, progressed to contract negotiation stage with Prophecy having received an initial order valued at $50k during Q1 FY23. The initial opportunity to supply eMite to just one out of Optus' many customers has been estimated at approximately $2 million over the next 3 years.

A pipeline of additional potential eMite and Snare deals have been identified through the partnership developed by the signing of the MSA. Prophecy is in ongoing dialogue relating to these pipeline opportunities and is pleased by the progress to date through this milestone partnership for the Company.

The Company also partnered with Fujitsu Australia Limited through a reseller agreement to enable Fujitsu to sell and deploy Snare software to their government and commercial customers in Australia. This agreement complements existing sales relationships with Fujitsu in Singapore and in the United Kingdom. Prophecy has identified potential for its agreement with Fujitsu to open opportunities to supply Snare to organisations responsible for the defence of Australia and its national interests.

Results for Announcement to the Market

For the Year Ended 30 June 2023

Prophecy also signed a new partnership with IT and compliance services, product development and cybersecurity provider Novacoast in the US. Novacoast helps organisations find, create and implement solutions for a powerful security posture through advisory, engineering, development and managed services. This agreement is with the Managed Security Services (MSSP) division of Novacoast and is working on a plan to bring Snare software to the current Novacoast customer base across large commercial and government segments in the United States.

The Company also signed a new partnership in Japan, opening a significant new market for Snare, with Jupiter Technology Corp (JTC). Jupiter Technology, founded in 2001 is a leading provider of log and network management and security in Japan serving more than 5,000 customers. The company delivers a portfolio of management and security services providing localised support for its customers ranging from SMBs to large enterprises and the public sector.

JTC brings a new opportunity with large enterprise customers in Japan looking to optimise their SIEM and achieve regulatory compliance. Since the partnership commenced, JTC has become Prophecy's registered distributor for Snare in Japan and has committed to provide in-country Japanese language sales, support and technical staff for Snare enterprise customers, of whom Prophecy now has approximately 20 in Japan.

Prophecy staff exhibited alongside JTC personnel as part of Team Defence Australia on the Australia Pavilion at the Defence Security Equipment International (DSEI) show held in Chiba, Japan on 15–17 March 2023. Japan represents a strategic growth opportunity for Prophecy given the country’s membership alongside Australia in the Quadrilateral Security Dialogue ("Quad") and in light of near-term growth in the Japanese defence budget, approved to increase by 20% in 2023 to a record 6.8 trillion yen (US$55 billion).

Prophecy's presence at DSEI Japan was the first of several international defence export trade shows that are opening up to the Company in 2023 thanks to its membership of Team Defence Australia.

Pipeline for FY24

Prophecy continues to hold a positive view for growth in customer activity on its eMite platform as its sales and marketing function boosts the recognition of eMite's ability to help businesses visualise and understand their customer’s journey.

The Company also holds a positive view for continued growth for Snare, as the market for flexible cybersecurity and compliance solutions continues to grow and the rising financial and reputational consequences of data breaches, malware and ransomware become increasingly apparent to enterprise customers.

On top of these indicators, the Company has continued to cultivate the development of new pipeline, and the business goes into FY24 with a healthy pipeline of opportunities.

The current total unweighted pipe for Snare for FY24 is currently $12.47M. The unweighted pipeline of sales opportunities for eMite for FY24 is currently $11.71M.

Outlook

The Company's key priorities for FY24 remain:

- Continue to expand sales and marketing to address growth opportunities in global markets
- Increase eMite sales to large Enterprise customers through both Genesys and Amazon Connect
- Increase penetration of Snare products with new and existing customers, focusing on opportunities 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 the 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
- Identify and execute on acquisition opportunities to accelerate growth and increase capability, capacity and coverage

Results for Announcement to the Market

For the Year Ended 30 June 2023

Healthy demand and continued momentum with customers provides the Company with confidence of delivering further business growth through FY24 and beyond. The growth of our business in FY23 reflects our focus on helping customers to secure the enterprise, repel cyber threats and deliver valuable business insights. We are trusted by an increasingly broad spread of blue-chip clients across the banking, healthcare, government, defence, utilities, transport, manufacturing, retail and energy sectors, and our software products, eMite and Snare, are now deployed at more than 4,000 sites globally.

We will continue to deliver new capabilities, accelerating both Snare and eMite product roadmaps as we develop new revenue streams to complement existing products. We will continue our transition towards SaaS & subscription sales as we focus on driving organic growth through renewal, retention, upsell and cross sell, while proactively scanning the Australian market for potential M&A opportunities.

In cloud migration, eMite is riding a significant growth trend. We expect that hybrid and remote working will accelerate cloud migration for the next several years. 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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2023

	Note	2023 $	2022 $
Revenue from continuing operations	2	**19,607,087**	16,431,198
Other income		**81,069**	1,030
Employee benefits expense	3	**(14,677,822)**	(11,092,730)
Depreciation and amortisation expense	3	**(1,397,262)**	(1,688,847)
Other expenses	3	**(6,995,402)**	(5,513,329)
Finance costs		**(52,588)**	(37,830)
Loss before income tax		**(3,434,918)**	(1,900,508)
Income tax benefit/expense	4	**956,301**	230,993
Loss for the year		**(2,478,617)**	(1,669,515)
Other comprehensive income/(loss), net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities		**(229,096)**	(246,953)
Other comprehensive income/(loss) for the year, net of tax		**(229,096)**	(246,953)
Total comprehensive loss for the year		**(2,707,713)**	(1,916,468)
Loss attributable to:			
Members of the parent entity		**(2,488,454)**	(1,714,158)
Non-controlling interest		**9,837**	44,643
		(2,478,617)	(1,669,515)
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		**(2,717,550)**	(1,961,111)
Non-controlling interest		**9,837**	44,643
		(2,707,713)	(1,916,468)
Losses per share			
From continuing operations:			
Basic earnings/(loss) per share (cents)	8	**(3.38)**	(2.40)
Diluted earnings/(loss) per share (cents)	8	**(3.38)**	(2.40)

Consolidated Statement of Financial Position
As At 30 June 2023

	Note	2023 $	2022 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	**11,735,885**	12,987,942
Financial assets	10	**100,400**	100,662
Trade and other receivables	11	**3,324,040**	2,769,896
Contract assets		**139,325**	284,780
Current tax receivable		**618,659**	437,350
Other assets	12	**2,238,018**	1,821,511
TOTAL CURRENT ASSETS		**18,156,327**	18,402,141
NON-CURRENT ASSETS			
Trade and other receivables	11	**8,488**	8,170
Other assets	12	**1,201,313**	1,202,783
Property, plant and equipment	14	**278,772**	220,391
Intangible assets	15	**6,061,490**	7,016,817
Right to use assets		**1,259,353**	542,939
TOTAL NON-CURRENT ASSETS		**8,809,416**	8,991,100
TOTAL ASSETS		**26,965,743**	27,393,241
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	**1,842,422**	1,635,694
Contract liabilities - Deferred revenue	17	**8,479,845**	5,026,489
Employee benefits	18	**1,717,466**	1,625,765
Lease liabilities		**429,826**	207,316
TOTAL CURRENT LIABILITIES		**12,469,559**	8,495,264
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	**116,297**	427,729
Employee benefits	18	**174,994**	133,301
Lease liabilities		**884,231**	407,363
Contract liabilities - Deferred revenue	17	**1,217,806**	3,172,364
TOTAL NON-CURRENT LIABILITIES		**2,393,328**	4,140,757
TOTAL LIABILITIES		**14.862,887**	12,636,021
NET ASSETS		**12,102,856**	14,757,220
EQUITY			
Issued capital	19	**35,809,479**	35,798,079
Reserves		**(465,490)**	(278,343)
Accumulated losses		**(23,056,361)**	(20,567,907)
Total equity attributable to equity holders of the Company		**12,287,628**	14,951,829
Non-controlling interest		**(184,772)**	(194,609)
TOTAL EQUITY		**12,102,856**	14,757,220

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2023

2023

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Non-controlling Interests	Total
	$	$	$	$	$	$
Balance at 1 July 2022	**35,798,079**	**(20,567,907)**	**(403,168)**	**124,825**	**(194,609)**	**14,757,220**
Loss attributable to members of the parent entity	**-**	**(2,488,454)**	**-**	**-**	**-**	**(2,488,454)**
Profit attributable to non-controlling interests	**-**	**-**	**-**	**-**	**9,837**	**9,837**
Total other comprehensive income for the year	**-**	**-**	**(229,096)**	**-**	**-**	**(229,096)**
Share based payment transactions	**-**	**-**	**-**	**41,949**	**-**	**41,949**
Shares issued during the year	**11,400**	**-**	**-**	**-**	**-**	**11,400**
Balance at 30 June 2023	**35,809,479**	**(23,056,361)**	**(632,264)**	**166,774**	**(184,772)**	**12,102,856**

2022

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Non-controlling Interests	Total
	$	$	$	$	$	$
Balance at 1 July 2021	**28,501,869**	**(19,862,291)**	**(156,215)**	**124,825**	**(322,276)**	**8,285,912**
Effect of restatement (note 26)	-	1,008,542	-	-	83,024	1,091,566
Restated balance at 1 July 2021	**28,501,869**	**(18,853,749)**	**(156,215)**	**124,825**	**(239,252)**	**9,377,478**
Loss attributable to members of the parent entity	**-**	**(1,714,158)**	**-**	**-**	**-**	**(1,714,158)**
Profit attributable to non-controlling interests	**-**	**-**	**-**	**-**	**44,643**	**44,643**
Total other comprehensive income for the year	**-**	**-**	**(246,953)**	**-**	**-**	**(246,953)**
Transactions with owners in their capacity as owners						
Issue of shares	**7,296,210**	**-**	**-**	**-**	**-**	**7,296,210**
Balance at 30 June 2022	**35,798,079**	**(20,567,907)**	**(403,168)**	**124,825**	**(194,609)**	**14,757,220**

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2023

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**20,683,391**	21,521,741
Payments to suppliers and employees		**(22,380,010)**	(19,012,500)
Interest received		**81,069**	377
Income taxes (paid)/refunded		**419,761**	428,772
Net cash provided by/(used in) operating activities	23	**(1,195,789)**	2,938,390
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(167,296)**	(96,453)
Net cash used in investing activities		**(167,296)**	(96,453)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		**-**	7,296,210
Payment of lease liabilities		**(398,065)**	(544,333)
Net cash provided by/(used in) financing activities		**(398,065)**	6,751,877
Effects of foreign exchange rates on overseas cash holdings		**509,093**	266,725
Net increase/(decrease) in cash and cash equivalents held		**(1,252,057)**	9,860,539
Cash and cash equivalents at beginning of year		**12,987,942**	3,127,403
Cash and cash equivalents at end of financial year	9	**11,735,885**	12,987,942

Notes to the Financial Statements

For the Year Ended 30 June 2023

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.

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 2023

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:

Fixed asset class	Depreciation rate
Plant and Equipment	10% - 40%
Furniture, Fixtures and Fittings	1.8% - 30%

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

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 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.value

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 fair value through profit or loss

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

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

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

Impairment of financial assets

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

1 Summary of Significant Accounting Policies continued

(e) Financial Instruments continued

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

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Stage 1’) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’).
- ‘Stage 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

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

Trade and other receivables

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

Classification and measurement of financial liabilities

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

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.

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.

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.

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 10.5% of the employee’s average ordinary salary) to the employee’s superannuation fund of choice. All contributions in respect of employees’ defined contribution entitlements are recognised as an expense when they become payable. The Group’s obligation with respect to employees’ defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group’s statement of financial position.

Termination benefits

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

(j) Provisions

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

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

(k) Cash and Cash Equivalents

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

1 Summary of Significant Accounting Policies continued

(l) 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.

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 obligation 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 straightline 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).

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 1(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.

1 Summary of Significant Accounting Policies continued

(t) Critical Accounting Estimates and Judgments

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.

Key estimates - impairment of tax losses

Deferred tax assets include amounts related to unused tax losses. At each balance date the directors review the likelihood that the Group be able to generate sufficient future taxable profits to utilise these tax losses, and adjusts deferred tax assets accordingly. Further information regarding the conditions under which these tax losses may be utilised can be found in Note 24.

Key estimates - impairment of goodwill

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

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.

(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.

Notes to the Financial Statements
For the Year Ended 30 June 2023

2 Revenue and Other Income

Revenue from continuing operations

	2023	2022
	$	$
Sales revenue		
- licence sales	**14,375,496**	11,168,916
- maintenance fees	**4,295,142**	4,497,051
- consulting sales	**936,449**	765,231
	19,607,087	16,431,198

The Group's revenue is disaggregated as follows:

	Legacy		Snare		eMite		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	$	$	$	$	$	$	$	$
Goods or services transferred at a point in time								
- licence sales	**663,726**	471,518	**2,290,508**	4,422,129	**1,388,382**	950,962	**4,342,616**	5,844,609
- consulting sales	**-**	-	**85,335**	92,591	**851,114**	672,642	**936,449**	765,233
Total	**663,726**	471,518	**2,375,843**	4,514,720	**2,239,496**	1,623,604	**5,279,065**	6,609,842

	Legacy		Snare		eMite		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	$	$	$	$	$	$	$	$
Goods or services transferred over time								
- licence sales	**-**	-	**2,151,458**	6,524	**7,881,422**	5,317,781	**10,032,880**	5,324,305
- maintenance fees	**82,154**	81,286	**3,420,376**	3,975,166	**792,612**	440,599	**4,295,142**	4,497,051
Total	**82,154**	81,286	**5,571,834**	3,981,690	**8,674,034**	5,758,380	**14,328,022**	9,821,356

Notes to the Financial Statements
For the Year Ended 30 June 2023

3 Result for the Year

The result for the year includes the following specific expenses:

	2023	2022
	$	$
Salaries and wages	**10,707,275**	7,351,968
Commissions	**1,340,950**	1,879,078
Superannuation contributions	**646,932**	507,792
Payroll taxes	**722,013**	558,226
Consultants	**501,063**	488,142
Medical expenses	**508,208**	370,178
AL & LSL expenses	**98,050**	411,789
Share-based payment	**41,949**	-
Other employee benefit expenses	**111,382**	203,803
	14,677,822	11,770,976
Commission capitalised	**-**	(678,246)
	14,677,822	11,092,730
Depreciation and amortisation expense comprises:		
- Depreciation - plant and equipment	**110,535**	121,355
- Depreciation - right of use assets	**331,400**	435,128
- Amortisation - intellectual property	**800,000**	800,000
- Amortisation - development costs	**155,327**	332,364
	1,397,262	1,688,847
Other Expenses:		
Accounting fees	**260,842**	204,115
Consulting and professional fees	**1,705,304**	2,494,883
Filing fees	**86,071**	77,132
Insurance	**240,803**	177,395
Marketing	**461,187**	155,978
Strata Fees	**181,112**	(3,646)
Foreign exchange (gains)/losses	**(599,381)**	(450,455)
Communications expense	**2,729,464**	1,632,899
Software including annual maintenance	**1,206,099**	861,142
Travel and accommodation	**293,950**	87,455
Other expenses	**429,951**	276,431
	6,995,402	5,513,329

Notes to the Financial Statements
For the Year Ended 30 June 2023

4 Income Tax Expense

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

	2023	2022
	$	$
Current tax expense/(benefit)	**(618,659)**	(437,350)
Deferred tax expense/(benefit)	**(283,187)**	179,030
Origination and reversal of temporary differences	**(35,087)**	-
Adjustments for under/(over) provision for taxes in prior periods	**(19,368)**	27,327
Total income tax expense/(benefit)	**(956,301)**	(230,993)

(b) Reconciliation of income tax to accounting profit:

	2023	2022
Profit/(loss)	**(3,434,918)**	(1,900,508)
Tax	**25.00%**	25.00%
	(858,730)	(475,127)
Add:		
Tax effect of:		
- non-deductible expenses	**542,305**	471,710
- tax losses not recognised - foreign jurisdictions	**-**	214,685
	(316,425)	211,268
Less:		
Tax effect of:		
- Research and Development offset	**620,508**	471,368
- Tax losses – foreign jurisdictions	**35,087**	471,368
- over/(under) provision for tax in prior year	**19,368**	(29,107)
Income tax expense/(benefit)	**(956,301)**	(230,993)

5 Key Management Personnel Disclosures

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

	2023	2022
	$	$
Short-term employee benefits	**2,133,135**	2,002,363
Long-term benefits	**54,948**	70,743
Post-employment benefits	**120,654**	103,711
Share-based payments	**-**	19,950
	2,308,737	2,196,767

Notes to the Financial Statements
For the Year Ended 30 June 2023

6 Remuneration of Auditors

	2023	2022
	$	$
Remuneration of the auditor of the parent entity, Grant Thornton, for:		
- auditing or reviewing the financial statements	**150,278**	108,526
- taxation services	**35,130**	36,200
Total paid or payable to Grant Thornton	185,408	134,726
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial statements of subsidiaries	**12,606**	11,009
Total	**198,014**	155,735

7 Dividends

a. The following dividends were declared and paid:

Interim unfranked ordinary dividend of nil (2022: nil) cents per share	**-**	-

Franking account

The franking credits available for subsequent financial years at a tax rate of 25%	**141,574**	141,574

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

8 Earnings per Share

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

	2023	2022
	$	$
Loss after income tax attributable to the owners of Prophecy International Holdings Limited	**(2,488,454)**	(1,714,158)

(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	**73,604,852**	70,538,537
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**73,604,852**	70,538,537

Notes to the Financial Statements

For the Year Ended 30 June 2023

9 Cash and Cash Equivalents

	2023	2022
	$	$
Cash at bank in hand	**11,735,885**	12,987,942

10 Financial Assets

	2023	2022
Other financial assets - security deposits	**100,400**	100,662

11 Trade and Other Receivables

	2023	2022
CURRENT		
Trade receivables	**3,372,298**	2,890,583
Provision for impairment	**(48,258)**	(120,687)
Total current trade and other receivables	**3,324,040**	2,769,896
NON-CURRENT		
Deposits	**24**	24
Other receivables	**8,464**	8,146
Total non-current trade and other receivables	**8,488**	8,170

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
2023						
Expected loss rate	**-**	**-**	**-**	**-**	**-**	
Gross carrying amount						
- trade receivables	**2,937,669**	**331,580**	**72,935**	**31,164**	**7,438**	**3,380,786**
Loss allowance	**-**	**-**	**-**	**-**	**-**	**(48,258)**
2022						
Expected loss rate	-	-	-	-	-	
Gross carrying amount						
- trade receivables	2,173,228	524,116	76,282	35,563	89,564	2,898,753
Loss allowance	-	-	-	-	-	(120,687)

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

The other classes of receivables do not contain impaired assets.

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

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

The expected loss rates are based on the payment profile for sales over the past 12 months before 30 June 2023 and 30 June 2022 respectively as well as the corresponding historical credit losses during that period. The historical rates are not adjusted to reflect current and forwarding 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 refected 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 Assets

	2023	2022
	$	$
CURRENT		
Prepayments – incremental costs to obtain contracts with customers	**1,495,393**	1,184,071
Other prepayments	**742,625**	637,440
	2,238,018	1,821,511
NON-CURRENT		
Prepayments – incremental costs to obtain contracts with customers	**1,201,313**	1,202,783

13 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2023	Percentage Owned (%)* 2022
Subsidiaries:			
Intersect Alliance International Pty Ltd	Australia	**100**	100
Prophecy International Pty Ltd as trustee for CSP Unit Trust	Australia	**100**	100
Prophecy R&D Pty Ltd	Australia	**100**	100
Prophecy Americas' Inc	United States	**93**	93
Prophecy Europe Limited	United Kingdom	**100**	100
eMite Pty Ltd	Australia	**100**	100
Prophecy Software Solutions Philippines Inc	Philippines	**100**	-

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

14 Property, Plant and Equipment

	2023 $	2022 $
Plant and equipment		
At cost	**1,596,395**	1,418,478
Accumulated depreciation	**(1,323,680)**	(1,208,028)
Total plant and equipment	**272,715**	210,450
Furniture, fixtures and fittings		
At cost	**243,558**	241,844
Accumulated depreciation	**(237,501)**	(231,903)
Total furniture, fixtures and fittings	**6,057**	9,941
Total property, plant and equipment	**278,772**	220,391

Movements in carrying amounts of property, plant and equipment

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

	Plant and Equipment $	Furniture, Fixtures and Fittings $	Total $
Year ended 30 June 2023			
Balance at the beginning of year	**210,450**	**9,941**	**220,391**
Additions	**167,296**	**-**	**167,296**
Depreciation expense	**(106,568)**	**(3,967)**	**(110,535)**
Foreign exchange movements	**1,538**	**82**	**1,620**
Balance at the end of the year	**272,716**	**6,056**	**278,772**

14 Property, Plant and Equipment continued

Movements in carrying amounts of property, plant and equipment continued

Year ended 30 June 2022			
Balance at the beginning of year	229,052	15,316	244,368
Additions	95,908	545	96,453
Disposals	(1,003)	-	(1,003)
Depreciation expense	(115,079)	(6,276)	(121,355)
Foreign exchange movements	1,572	356	1,928
Balance at the end of the year	210,450	9,941	220,391

Notes to the Financial Statements

For the Year Ended 30 June 2023

15 Intangible Assets

	2023	2022
	$	$
Goodwill		
Cost	**5,108,270**	5,108,270
Accumulated impairment losses	**(2,981,455)**	(2,981,455)
Net carrying value	**2,126,815**	2,126,815
Intellectual property		
Cost	**12,720,000**	12,720,000
Accumulated amortisation and impairment	**(8,809,291)**	(8,009,291)
Net carrying value	**3,910,709**	4,710,709
Development costs		
Cost	**2,678,372**	2,678,372
Accumulated amortisation and impairment	**(2,654,406)**	(2,499,079)
Net carrying value	**23,966**	179,293
Total Intangibles	**6,061,490**	7,016,817

Movements in carrying amounts of intangible assets

	Intellectual property	Goodwill	Development costs	Total
	$	$	$	$
Year ended 30 June 2023				
Balance at the beginning of the year	**4,710,709**	**2,126,815**	**179,293**	**7,016,817**
Amortisation	**(800,000)**	**-**	**(155,327)**	**(955,327)**
Impairment loss	**-**	**-**	**-**	**-**
Closing value at 30 June 2023	**3,910,709**	**2,126,815**	**23,966**	**6,061,490**
Year ended 30 June 2022				
Balance at the beginning of the year	5,510,709	2,126,815	511,657	8,149,181
Amortisation	(800,000)	-	(332,364)	(1,132,364)
Impairment loss	-	-	-	-
Closing value at 30 June 2022	4,710,709	2,126,815	179,293	7,016,817

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. Goodwill has an indefinite life and is not amortised.

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

15 Intangible Assets continued

Goodwill with a carrying value of $2,126,815 (2022: $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 net present value of cash flow projections over a 4 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 been recognised.

Goodwill with a carrying value of $nil (2022: $nil) and Intellectual Property with a carrying value of $3,910,709 (2022: $4,710,709), has been allocated to the eMite CGU. The recoverable amount of the eMite CGU is determined based on the VIU calculations. The calculation is based on net present value of cash flow projections over a 4 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 been recognised.

16 Trade and Other Payables

	Note	2023 $	2022 $
Trade payables		**952,030**	873,321
Sundry payables and accrued expenses		**887,735**	759,716
Other payables		**2,657**	2,657
		1,842,422	1,635,694

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.

17 Contract liabilities

CURRENT		
Unearned revenue from customers	**8,479,845**	5,026,489
NON-CURRENT		
Unearned revenue from customers	**1,217,806**	3,172,364

18 Employee Benefits

CURRENT		
Long service leave	**560,511**	538,791
Annual leave	**1,156,955**	1,086,974
	1,717,466	1,625,765
NON-CURRENT		
Long service leave	**174,994**	133,301

Notes to the Financial Statements
For the Year Ended 30 June 2023

19 Issued Capital

	2023	2022
	$	$
73,610,934 (2022: 73,590,934) Ordinary shares	**35,809,479**	35,798,079

(a) Ordinary shares

	2023	2023	2022	2022
	$	No	$	No
At the beginning of the reporting period	**35,798,079**	**73,590,934**	28,501,869	64,055,934
Issue of shares – placement	**-**	**-**	7,695,000	9,500,000
Issue of shares – employee share scheme	**11,400**	**20,000**	19,950	35,000
Share issue costs (net of tax)	**-**	**-**	(418,740)	-
At the end of the reporting period	**35,809,479**	**73,610,934**	35,798,079	73,590,934

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 2023

20 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 $70,400 (2022: $70,662).

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.

21 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.

22 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.

Notes to the Financial Statements
For the Year Ended 30 June 2023

23 Cash Flow Information

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

	2023	2022
	$	$
Profit for the year	**(2,478,617)**	(1,669,515)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	**1,397,262**	1,688,847
- net gain on disposal of property, plant and equipment	**-**	1,003
- foreign exchange (gain)/loss	**(598,593)**	(420,070)
- foreign exchange differences arising on translation of foreign subsidiaries	**(32,399)**	(135,341)
- share based payments	**(41,949)**	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables and contract assets	**(422,495)**	(413,159)
- (increase)/decrease in other assets	**(361,097)**	(1,026,162)
- (increase)/decrease in deferred tax asset	**(1,224,575)**	220,058
- (increase)/decrease in income tax receivable	**(181,309)**	(108,676)
- increase/(decrease) in contract liabilities	**1,498,798**	3,859,863
- increase/(decrease) in trade and other payables	**201,487**	222,647
- increase/(decrease) in deferred tax liability	**913,143**	283,802
- increase/(decrease) in employee benefits	**134,555**	435,093
Cashflows from operations	**(1,195,789)**	2,938,390

(b) Credit standby arrangements with banks

	2023	2022
Credit facility	**75,000**	75,000
Amount utilised	**(32,750)**	(31,696)
	42,250	43,304

The major facilities are summarised as follows:

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

Notes to the Financial Statements
For the Year Ended 30 June 2023

24 Tax

	2023 $	2022 $
Current Tax Asset		
Income tax receivable	**618,659**	437,350
Current Tax Liability		
Income tax payable	**-**	-
Recognised deferred tax assets and liabilities		
Deferred tax assets	**1,801,240**	576,665
Deferred tax liabilities	**1,917,537**	1,004,394
Net deferred tax liability	**116,297**	427,729

Unrecognised deferred tax assets

	2023 $	2022 $
Deferred tax assets have not been recognised in respect of the following:		
Tax losses	**6,145,696**	5,875,092

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 $	Over/(under) provision in prior years $	Changes in Tax Rate $	Closing Balance $
Property, plant and equipment					
- tax allowance	3,503	(2,514)	-	(135)	854
Provisions - employee benefits	284,174	83,535	-	(10,930)	356,779
Unrealised foreign exchange	64,683	(45,259)	-	(2,488)	16,936
Accruals	22,350	(3,220)	-	(860)	18,270
Deferred tax assets attributable to tax losses	111,430	34,442	(111,430)	(4,286)	30,156
Other deductions	146	(140)	-	(6)	-
Leases	310,437	(144,827)	-	(11,940)	153,670
Balance at 30 June 2022	796,723	(77,983)	(111,430)	(30,645)	576,665
Property, plant and equipment					
- tax allowance	**854**	**-**	**-**	**-**	**854**
Provisions - employee benefits	**356,779**	**15,554**	**-**	**-**	**372,333**
Unrealised foreign exchange	**16,936**	**(15,896)**	**-**	**-**	**1,040**
Accruals	**18,270**	**5,883**	**-**	**-**	**24,153**
Deferred tax assets attributable to tax losses	**30,156**	**431,926**	**-**	**-**	**462,082**
Leases	**153,670**	**124,324**	**-**	**-**	**277,994**
Balance at 30 June 2023	**576,665**	**561,791**	**-**	**-**	**1,138,456**

Notes to the Financial Statements

For the Year Ended 30 June 2023

24 Tax continued

Deferred Tax Liabilities

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Closing Balance
	$	$	$	$	$
Prepayments	403,983	171,117	-	(198)	574,902
Property, plant and equipment	133,031	(83,091)	-	(5,117)	44,823
Other current assets	12,220	(11,750)	-	(470)	-
Unrealised foreign currency gains	28,740	194,875	26,567	(1,105)	249,077
Leases	204,682	(61,218)	-	(7,872)	135,592
Balance at 30 June 2022	782,656	209,933	26,567	(14,762)	1,004,394
Prepayments	**574,902**	**106,646**	**-**	**-**	**681,548**
Property, plant and equipment	**44,823**	**(34,604)**	**-**	**-**	**10,219**
Unrealised foreign currency gains	**249,077**	**77,189**	**(28,246)**	**-**	**298,020**
Leases	**135,592**	**129,374**	**-**	**-**	**264,966**
Balance at 30 June 2023	**1,004,394**	**278,605**	**(28,246)**	**-**	**1,254,753**
Net DTL after offset against DTA					**(116,297)**

25 Operating Segments

Segment information

Identification of reportable segments

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

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

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

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

Income tax expense is calculated based on the segment operating net profit using a notional charge of 27.5%. The effect of taxable or deductible temporary differences is not included for internal reporting purposes.

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

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

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

(b) Segment assets

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

(c) Segment liabilities

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

(d) Unallocated items

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

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

Notes to the Financial Statements
For the Year Ended 30 June 2023

25 Operating Segments continued

(e) Segment performance

	Legacy		SNARE		eMite		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	$	$	$	$	$	$	$	$
REVENUE								
External sales	745,880	552,804	7,947,676	8,496,410	10,913,531	7,381,984	19,607,087	16,431,198
Other revenue	3,991	249	169	690	76,909	91	81,069	1,030
Total segment revenue	749,871	553,053	7,947,845	8,497,100	10,990,440	7,382,075	19,688,156	16,432,228
Segment operating profit/(loss)	(2,682,045)	(2,225,624)	(878,604)	1,055,580	125,731	(730,464)	(3,434,918)	(1,900,508)

(f) Segment assets

	Legacy 2023	Legacy 2022	SNARE 2023	SNARE 2022	eMite 2023	eMite 2022	Total 2023	Total 2022
Segment assets	2,866,233	5,019,619	7,578,202	8,836,597	16,521,309	13,537,025	26,965,744	27,393,241
- Capital expenditure	29,845	17,676	88,670	69,384	48,781	9,393	167,296	96,453

(g) Segment liabilities

	Legacy 2023	Legacy 2022	SNARE 2023	SNARE 2022	eMite 2023	eMite 2022	Total 2023	Total 2022
Segment liabilities	2,850,895	1,873,666	6,861,118	6,455,860	5,034,578	3,878,766	14,746,591	12,208,292

25 Operating Segments continued

(h) Reconciliations

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

	2023	2022
	$	$
Total segment revenue	**19,607,087**	16,431,198

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.

	2023	2022
Segment net operating profit	**(3,434,918)**	(1,900,508)
Income tax expense	**956,301**	230,993
Total net profit after tax	**(2,478,617)**	(1,669,515)

Reconciliation of segment assets to the consolidated statement of financial position

	2023	2022
Segment operating assets	**51,370,782**	54,032,749
Intersegment eliminations	**(30,466,529)**	(33,656,325)
Deferred tax assets	**1,801,240**	576,665
Intangible assets	**6,061,490**	7,016,817
Total assets per the consolidated statement of financial position	**28,766,983**	27,969,906

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

	2023	2022
Segment liabilities	**61,277,637**	61,485,734
Intersegment eliminations	**(46,531,047)**	(49,277,442)
Deferred tax liabilities	**1,917,537**	1,004,394
Total liabilities per the consolidated statement of financial position	**16,664,127**	13,212,686

(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.

	2023		2022	
	Revenue	**Assets**	**Revenue**	**Assets**
Australia	**2,871,141**	**21,982,686**	2,354,442	21,850,469
United States	**14,984,409**	**5,743,654**	12,134,613	5,633,700
Europe	**1,747,742**	**768,164**	1,938,930	485,737
Asia	**3,795**	**272,479**	3,213	-
	19,607,087	**28,766,983**	16,431,198	27,969,906

Notes to the Financial Statements
For the Year Ended 30 June 2023

26 Correction of prior period error continued

Subsequent to the release of the Appendix 4E of the Group on 29 August 2022, it was identified that certain incremental costs of obtaining contracts (sales commissions), had not been accounted for correctly in accordance with AASB 15 – Revenue from Contracts with Customers. Pursuant to AASB 15, the incremental costs of obtaining a contract are those that the entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example sales commission). As a consequence, sales commission expenses have been overstated with an understatement of prepaid expenses (cost to obtain customer contracts).

The following tables summarise the impacts on the group's financial statements.

30 June 2021	**Impact of correction**		
	As previously reported	**Adjustments**	**As restated**
Other assets (current)	575,561	840,007	1,415,568
Other assets (non-current)	-	650,397	650,397
Total assets	16,803,679	1,490,404	18,294,083
Deferred tax liabilities	383,818	398,838	782,656
Total liabilities	8,517,767	398,838	8,916,605
Retained earnings	(19,862,291)	1,008,542	(18,853,749)
Minority interest	(322,276)	83,024	(239,252)

Consolidated profit or loss

30 June 2021	**Impact of correction**		
	As previously reported	**Adjustments**	**As restated**
Employee expenses	11,770,976	(678,246)	11,092,730
Loss before income tax	(2,578,755)	678,246	(1,900,508)
Income tax expense/benefit	400,555	(169,562)	230,993
Loss for year	(2,178,200)	508,685	(1,669,515)

Earnings per share has been updated to reflect the changes in reported results. There has been no impact on the Group's total operating, investing or financing cash flows as a result of the error.

27 Company Details

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

Prophecy International Holdings Limited and Controlled Entities
Level 5
60 Waymouth Street
Adelaide SA 5000