



PROPHECY INTERNATIONAL HOLDINGS LTD

ACN 079 971 618

Appendix 4E - Preliminary Final Report

For the Year Ended 30 June 2024

ASX preliminary final report for the year ended 30 June 2024
Lodged with the ASX under listing Rule 4.3A

Results for announcement to the market
30 June 2024

Appendix 4E
Reference

		30 June 2024 \$'000	30 June 2023 \$'000	Variance \$'000	Variance %
2.1	Revenue from ordinary activities	22,872	19,607	3,265	17%
2.2	Profit/(loss) From ordinary activities after tax attributable to members	(4,229)	(2,479)	(1,750)	(71%)
2.3	Net profit/(loss) for the period attributable to members	(4,240)	(2,488)	(1,752)	(70%)
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)	0.024 cents	0.065 cents	(0.044) cents	(68%)
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 2024 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 2024

Prophecy International Holdings Ltd is pleased to announce its results for the year ended 30 June 2024 (FY24), confirming another record year for the Company with a 17% increase in revenue to \$22.9M and a 28% increase in contracted annualised recurring revenue (ARR) to \$28.4M (excluding legacy).

Prophecy International is a pure play business-to-business (B2B) and business-to-government (B2G) software and SaaS company servicing enterprise and government customers globally. Prophecy's 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 Prophecy is particularly relevant in the Banking & Finance; Insurance; Energy, Oil & Gas; Utilities; Health, Retail and Technology sectors.

The Company goes to market efficiently with both direct sales and also through channels and partner relationships with some of the biggest IT companies in the world. Prophecy was proud to be named as joint winner of the Austrade Exporter of the Year for Advanced Technology in 2023.

FY24 Financial Highlights

- Revenue up 17% on previous corresponding period (PCP) to \$22.9M in FY24 – a record year for the company (FY23 - \$19.6M)
- 28% growth on PCP in contracted annualised recurring revenue to \$29.7 million as at 30 June 2024
 - 22% increase on PCP of emite contracted ARR to \$18.2M
 - 83% increase on PCP in Snare subscriptions to \$7.7M, as Snare continues to transition its revenue model towards primarily recurring subscription sales
- Invoicing up 15% on PCP to \$26.1M in FY24, continuing efficient conversion of revenue into cash receipts
- Market tailwinds positive for continued expansion in Cloud Data Management, CX Analytics and Cyber Security
- Cash flow breakeven on PCP with closing cash balance of \$11.8M as at 30 June 2024

Performance	FY23 Result	FY24 Result	YoY change
Revenue	\$19.6M	\$22.9M	+17%
Contracted ARR	\$23.2M	\$28.4 M	+22%
Invoicing	\$22.6M	\$26.1M	+15%
Cash Flow	(\$1.3M)	\$0.0M	+\$1.3M
Cash Balance	\$11.7M	\$11.7M	+0%
NPAT	(\$2.5M)	(\$4.2M)	-\$1.7M
Deferred Income	\$9.7M	\$11.4M	+17%
Debt	Zero	Zero	No change

In FY24, Prophecy continued to focus on delivering organic growth through its two primary product lines, emite and Snare.

Emite is the Company's full featured SaaS-based analytics platform targeted at the Customer Experience (CX) market. Emite helps Prophecy's 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.

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.

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Results for Announcement to the Market For the Year Ended 30 June 2024

Consistent sales growth continues to underpin growth in the Company's base of recurring revenue. As at 30 June 2024, the Company's base of contracted ARR had grown to \$28.4M, up 22% YoY.

The Snare business continues to transition well to a primarily subscription-based model, with Snare subscription revenue up 83% YoY. Although this change impacts revenue recognition and invoicing cashflow, the subscription model has been received well by customers and enhances the sustainability and scalability of Prophecy's business model.

A major cost contributor in FY24 was a significant increase in hosting costs across both of our major providers. Hosting contributes to both Cost of Goods Sold (COGS) and operating expenses as the company hosts all internal IT in Oracle Cloud Infrastructure (OCI) and emite customers in both OCI and AWS cloud. This increase in hosting was the primary contributor to the final COGS and Expense number and is one of the reasons that the company is investing in a new version of the emite application with a new architecture to remove approximately \$700K per annum in Microsoft Licencing as well as reduce overall hosting costs by moving to a shared infrastructure and ultimately to full multitenancy.

Prophecy continues to efficiently convert revenue into cash receipts, invoicing \$26.1M in FY24, +15% YoY. The Company achieved cash flow breakeven during FY24 and generated positive operating cash flow in H2 FY24.

The Company remains debt free with adequate financial flexibility to pursue its growth objectives, with a cash position at 30 June 2024 of \$11.7M and receivables of \$2.9M.

Emite Sales and Operational Highlights

Emite has an almost 100% channel-based go-to-market strategy driven by key partnerships with Genesys and Amazon Connect from AWS. The Company has also developed relationships with many implementation partners, resellers and system integrators including Telstra, Optus, NTT, BT, ConvergeOne and others. As a product that is delivered as SaaS, emite hosts its SaaS customers globally on both AWS and Oracle Cloud, and emite continues to be a Platinum AppFoundry partner for Genesys.

Prophecy's focus on international marketing through both the Genesys and Amazon Connect contact centre technology ecosystems continues to deliver growth in contracted sales for emite.

Prophecy's release in June 2023 of an Integration Platform as a Service (iPaaS) solution for emite enables the Company to address more of the CX marketplace, include other vendor tools with Genesys and Amazon Connect and open this new integration capability to the entire CX ecosystem, addressing opportunities such as CXOne, ZenDesk, TalkDesk and others. The Company's iPaaS also enables Prophecy to provide its leading analytics capabilities alongside more Contact Centre as a Service (cCaaS) solutions and expand into the wider data integration market.

New emite customer contracts signed in FY24 pushed emite revenue to record levels, adding aggregate 1st year contract value (1CV) of \$5.9M, representing a 41.5% increase on PCP. This growth was supported by a 6-year, \$10.7 million contract signed in H2 FY24 to provide emite to Optus Networks Pty Ltd for Services Australia as part of Services Australia's migration from its legacy on-premise contact centre to a new cloud-based CXOne platform. This marks another significant opportunity sourced under Prophecy's Master Supply Agreement (MSA) with Optus, announced to the ASX on 31 August 2022, with the agreement representing a net increase of approximately \$1.1M in ARR to emite once deployed.

FY24 emite revenue growth also included upsells to Humana and Airbnb, plus sales to a broad range of high-profile new customers, including several organisations across the Middle East:

- Australian Tax Office
- Service NSW
- Colonial First State
- Cochlear
- Macy's
- Just Eat Takeaway.com – emite's first significant direct customer contract (i.e. not through Prophecy's channel partnerships with Genesys and Amazon Connect) and an early paying customer of emite for its new iPaaS solution
- NZ Inland Revenue (NZ Govt)
- Abu Dhabi Commercial Bank (UAE)
- Al Hilal Islamic Bank (UAE)
- Dubai Health Authority (UAE)
- Dallah Health (Saudi Arabia)

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Results for Announcement to the Market

For the Year Ended 30 June 2024

- Motorizzazione Civile de Roma (Italian Govt)
- Transat (Canadian airline)
- The City of San Diego

In the June quarter, Prophecy commenced a new approach to emite to enable greater scale for large customers and to improve efficiency and reduce COGS, thus increasing future gross margins. This development will be capitalised on the balance sheet.

The Company attended a key emite customer event in May, Genesys Xperience in Denver, which provided an ideal opportunity to market the iPaaS solution. Prophecy also took part in the Amazon Connect User Group event in London and the Genesys Partner Conference in Asia which both provided ideal opportunities to market the iPaaS solution and support sales growth.

Snare Sales and Operational Highlights

The Company continued to deliver Snare to its contracted government and enterprise customers across multiple geographies, while continuing to build on its momentum in the Middle East.

In FY24, the Company signed new Snare contracts with enterprise clients headlined by:

- Verizon
- Charles Schwab
- Occidental Petroleum (upsell)
- Investcorp (UK financial services)
- Gibson Dunn (US legal services)
- Broadview Federal Credit Union
- Ineos Europe
- The Office of the Israeli Prime Minister
- Kuwait Oil Company

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. These new customer engagements generated sales of \$5.7M of both perpetual and annual subscription contracts and indicate the breadth of Snare's appeal across a range of global regulated and critical industries, including banking & finance, energy, oil, gas and utilities, retail and health as well as government.

Across subscriptions and maintenance renewals, Prophecy grew its contracted Snare recurring revenue by more than 34% in FY24. The results reflect a continued strategic shift towards subscription-based engagements. During the year, 83% of new Snare sales were made on a subscription basis rather than under a perpetual license model.

Legacy Products

Only 2 customers remained on legacy products during the year and both have now migrated away from these outdated platforms and products. Legacy customer agreements have been finalised and there will be no further legacy revenue after the close of FY24.

Partner Activity

During H1 FY24, Oracle commenced promotion of Snare and emite to its customers and partners through its Global Co-Sell Program. The partnership provides Prophecy with privileged access to more than 430,000 Oracle customers and has begun to accelerate Prophecy's global business development.

The Company is pleased with progress to date under its partnership with Oracle to co-sell its products. As one of only five independent software vendors from the APAC region chosen for Oracle's Global Co-Sell Program, Prophecy is able to benefit from Oracle financially incentivising its sellers and partners to promote Snare and emite to their own customers and partners.

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Results for Announcement to the Market For the Year Ended 30 June 2024

In H2 FY24, Prophecy signed a new emite North American distribution partnership with Voxai Solutions. Based in Texas, Voxai is a specialised solution integrator for Genesys products, providing best-in-class solutions and services to manage, transform, and enhance the customer experience (CX) journey. Founded in 2005, Voxai is a two-time Genesys North America Growth Partner of the Year (2022 and 2023) and was recognised by publisher CIO Applications as a top CX solutions provider of 2022. The partnership will see Voxai distribute emite to its customers which span a range of industry sectors, including Government, Utilities, Retail, Healthcare, Transport, Education, Business Services and Financial Services.

During the year Prophecy also finalised a strategic partnership with Devo Technology ("Devo"), a US-based security data analytics company with operations in North America, Europe and Asia Pacific. Through this collaboration, Devo has adopted Snare as its new endpoint agent to enhance data coverage and visibility across the Devo Security Data Platform.

For Prophecy, this partnership marks the commencement of its ability to offer ingestion-based pricing for Snare, opening the potential for Prophecy to secure additional partnerships with original equipment manufacturers and managed security service providers through an ingestion-based pricing offer. Furthermore, access to Snare is now included with all new and existing Devo subscriptions. This presents a significant revenue opportunity for Prophecy without the need to complete conventional buying cycles.

Prophecy has now generated additional Snare contracted ARR of \$2.6 million through this partnership. This includes data volumes ingestion for existing Devo customers, plus newly added customers, as well as upgrades sold to incorporate additional Snare modules. Devo and Prophecy intend to migrate all of Devo's existing and new customers to Snare, with the majority of customers expected to be migrated by the end of FY25 and thus most revenue through this partnership is expected to commence in this financial year.

Prophecy continues to expect Devo to increase the Company's growth rate of contracted ARR, with new Snare revenue anticipated to track Devo's total revenue growth rate once fully deployed. Following the successful start to its partnership with Devo, the Company has identified the potential to establish similar OEM relationships with Security Analytics and SIEM vendors and managed security service providers.

The Devo relationship complements other recently signed Snare distribution partnerships, like Carahsoft Technology Corp, Prophecy's first Snare distributor in the US with a focus on government and defense.

An increasing amount of Prophecy's new business is being driven by previously announced Snare channel partners, including Fujitsu UK, NTT globally, Verizon and Novacoast in the US and Jupiter Technology Corp in Japan. As part of the Company's selection by the Australian Government Department of Defence Export Office as part of Team Defence Australia, Prophecy exhibited on the Australia Pavilion at the Defence Security Equipment International (DSEI) UK show in October 2023. DSEI brings the global defence and security community together to innovate, partner and share knowledge under one roof.

The Company attended key Snare customer events in Q4 FY24 – RSA in San Francisco in May with Austrade as part of Team Defence Australia, followed by Infosec Europe in London in June – with both providing opportunities to market the Company's capabilities and recent successes. The Company was also pleased to continue our ongoing sponsorship of the Innovate Cybersecurity Summit series, the premier cybersecurity show for CISOs with Novacoast, with the most recent in Scottsdale, Arizona in October 2023.

Outlook

The growth of Prophecy's business in FY24 reflects the Company's 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.

Healthy demand and continued momentum with customers provides the Company with confidence of delivering further business growth through FY25 and beyond.

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 scanning the Australian market for potential M&A opportunities.

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Results for Announcement to the Market

For the Year Ended 30 June 2024

Prophecy has identified a FY25 Snare potential sales pipeline (unweighted) valued at \$12.4M of both perpetual and subscription sales opportunities. Beyond this pipeline, Snare remains an active member of various consortia in a number of large bids for US Federal and Defence contracts that are yet to be awarded. Prophecy maintains a positive view for continued growth in Snare's business as the market for flexible cybersecurity and compliance solutions continues to expand.

With an FY25 emite potential sales pipeline (1CV unweighted) valued by the Company at \$10.9M, Prophecy holds a positive view for continued growth in this segment as a broader set of customers recognise emite's ability to help businesses manage their data in the cloud and visualise and understand their customer's journey. The pipeline growth is a pleasing increase from the end of the financial year as we leverage the new partnerships to identify and pursue new sales opportunities.

In cloud migration, emite continues to ride a significant growth trend. We expect that hybrid and remote working will accelerate cloud migration over 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.

Prophecy's key focus areas for FY25 include the following priorities:

- 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 and to expand into the broader CX market space outside Genesys and Amazon
- Increase penetration of Snare products with new and existing customers, focusing on opportunities for Snare in the Government & Defense segment in the USA
- Increase Snare partner revenue from Security services partners including System Integrators, 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

Prophecy International Holdings Limited and Controlled Entities

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2024

		2024	2023
	Note	\$	\$
Revenue from continuing operations	2	22,872,208	19,607,087
Research and development tax incentive		-	618,659
Other income		320,245	81,069
Employee benefits expense	3	(15,676,202)	(14,677,822)
Depreciation and amortisation expense	3	(1,387,768)	(1,397,262)
Other expenses	3	(10,669,495)	(6,995,402)
Finance costs		(63,175)	(52,588)
Loss before income tax		(4,604,187)	(2,816,259)
Income tax benefit/expense	4	374,824	337,642
Loss for the year		(4,229,363)	(2,478,617)
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		137,945	(229,096)
Other comprehensive income/(loss) for the year, net of tax		137,945	(229,096)
Total comprehensive loss for the year		(4,091,418)	(2,707,713)
Loss attributable to:			
Members of the parent entity		(4,240,324)	(2,488,454)
Non-controlling interest		10,961	9,837
		(4,229,363)	(2,478,617)
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		(4,102,379)	(2,717,550)
Non-controlling interest		10,961	9,837
		(4,091,418)	(2,707,713)
Losses per share			
From continuing operations:			
Basic earnings/(loss) per share (cents)	8	(5.76)	(3.38)
Diluted earnings/(loss) per share (cents)	8	(5.76)	(3.38)

The financial statements should be read in conjunction with the accompanying notes.

Prophecy International Holdings Limited and Controlled Entities

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Consolidated Statement of Financial Position

As At 30 June 2024

	Note	2024 \$	2023 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	11,710,885	11,735,885
Financial assets	10	102,644	100,400
Trade and other receivables	11	2,938,982	3,942,699
Contract assets		194,081	139,325
Current tax receivable		25,382	-
Other assets	12	2,449,077	2,238,018
TOTAL CURRENT ASSETS		17,421,051	18,156,327
NON-CURRENT ASSETS			
Trade and other receivables	11	8,496	8,488
Other assets	12	869,613	1,201,313
Property, plant and equipment	14	189,697	278,772
Intangible assets	15	5,240,532	6,061,490
Right to use assets	16	819,196	1,259,353
Deferred tax assets	25	283,467	-
TOTAL NON-CURRENT ASSETS		7,411,001	8,809,416
TOTAL ASSETS		24,832,052	26,965,743
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	2,479,311	1,842,422
Contract liabilities - Deferred revenue	18	8,868,199	8,479,845
Employee benefits	19	1,857,721	1,717,466
Lease liabilities	16	390,228	429,826
TOTAL CURRENT LIABILITIES		13,595,459	12,469,559
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	-	116,297
Employee benefits	19	125,585	174,994
Lease liabilities	16	494,024	884,231
Contract liabilities - Deferred revenue	18	2,514,928	1,217,806
TOTAL NON-CURRENT LIABILITIES		3,134,537	2,393,328
TOTAL LIABILITIES		16,729,996	14,862,887
NET ASSETS		8,102,056	12,102,856
EQUITY			
Issued capital	20	35,822,379	35,809,479
Reserves		(249,827)	(465,490)
Accumulated losses		(27,296,685)	(23,056,361)
Total equity attributable to equity holders of the Company		8,275,867	12,287,628
Non-controlling interest		(173,811)	(184,772)
TOTAL EQUITY		8,102,056	12,102,856

The financial statements should be read in conjunction with the accompanying notes.

Prophecy International Holdings Limited and Controlled Entities

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Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2024

2024

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2023	35,809,479	(23,056,361)	(632,264)	166,774	(184,772)	12,102,856
Loss attributable to members of the parent entity	-	(4,240,324)	-	-	-	(4,240,324)
Profit attributable to non-controlling interests	-	-	-	-	10,961	10,961
Total other comprehensive income for the year	-	-	137,945	-	-	137,945
Share based payment transactions at fair value	-	-	-	110,255	-	110,255
Transfer of forfeiture options/performance rights to profit or loss	-	-	-	(19,637)	-	(19,637)
Shares issued on the exercise of performance rights	12,900	-	-	(12,900)	-	-
Balance at 30 June 2024	35,822,379	(27,296,685)	(494,319)	244,492	(173,811)	8,102,056

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 at fair value	-	-	-	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

The financial statements should be read in conjunction with the accompanying notes.

Prophecy International Holdings Limited and Controlled Entities

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Consolidated Statement of Cash Flows

For the Year Ended 30 June 2024

	2024	2023
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	24,886,903	20,683,391
Payments to suppliers and employees	(25,550,475)	(22,380,010)
Interest received	318,780	81,069
Income taxes (paid)/refunded	574,187	419,761
Net cash provided by/(used in) operating activities	24 229,395	(1,195,789)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	4,487	-
Purchase of property, plant and equipment	(44,055)	(167,296)
Net cash used in investing activities	(39,568)	(167,296)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of lease liabilities	(260,392)	(398,065)
Net cash provided by/(used in) financing activities	(260,392)	(398,065)
Effects of foreign exchange rates on overseas cash holdings	45,565	509,093
Net increase/(decrease) in cash and cash equivalents held	(25,000)	(1,252,057)
Cash and cash equivalents at beginning of year	11,735,885	12,987,942
Cash and cash equivalents at end of financial year	9 11,710,885	11,735,885

The financial statements should be read in conjunction with the accompanying notes.

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

This preliminary 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 Material 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Summary of Material 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.

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Summary of Material Accounting Policies continued

(d) Property, Plant and Equipment

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

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

Depreciation

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

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

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

Fixed asset class	Depreciation rate
Plant and equipment	10 - 40%
Furniture, fixtures and fittings	1.8 – 30%

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

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Summary of Material 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'.

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Summary of Material 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).

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Summary of Material Accounting Policies continued

(f) Impairment of 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 2024

1 Summary of Material 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 2024

1 Summary of Material 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 2024

1 Summary of Material 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 subject to an insignificant risk of change in value.

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Summary of Material Accounting Policies continued

(I) Leases

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

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 2024

1 Summary of Material 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.

Costs to obtain a contract

The capitalised costs are amortised on a straight-line basis over the expected life of the contract which is has been estimated at 3 years.

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Summary of Material Accounting Policies continued

(m) Revenue and Other Income continued

Interest Revenue

Interest is recognised using the effective interest method.

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

(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.

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Summary of Material Accounting Policies continued

(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.

(t) Critical Accounting Estimates and Judgments

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.

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

2 Revenue and Other Income

Revenue from continuing operations

	2024	2023
	\$	\$
Sales revenue		
- licence sales	17,308,380	14,375,496
- maintenance fees	3,773,420	4,295,142
- consulting sales	1,790,408	936,449
	<u>22,872,208</u>	<u>19,607,087</u>

The Group's revenue is disaggregated as follows:

	Legacy		Snare		eMite		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$	\$	\$
Goods or services transferred at a point in time								
- licence sales	571,500	663,726	1,164,369	2,290,508	2,032,875	1,388,382	3,768,744	4,342,616
- consulting sales	-	-	182,407	85,335	1,608,002	851,114	1,790,409	936,449
Total	<u>571,500</u>	<u>663,726</u>	<u>1,346,776</u>	<u>2,375,843</u>	<u>3,640,877</u>	<u>2,239,496</u>	<u>5,559,153</u>	<u>5,279,065</u>

	Legacy		Snare		eMite		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$	\$	\$
Goods or services transferred over time								
- licence sales	-	-	3,635,848	2,151,458	9,903,787	7,881,422	13,539,635	10,032,880
- maintenance fees	123,500	82,154	3,269,879	3,420,376	380,041	792,612	3,773,420	4,295,142
Total	<u>123,500</u>	<u>82,154</u>	<u>6,905,727</u>	<u>5,571,834</u>	<u>10,283,828</u>	<u>8,674,034</u>	<u>17,313,055</u>	<u>14,328,022</u>

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

3 Result for the Year

The result for the year includes the following specific expenses:

	2024	2023
	\$	\$
Salaries and wages	10,980,629	10,707,275
Commissions	1,788,225	1,340,950
Superannuation contributions	673,347	646,932
Payroll taxes	795,568	722,013
Consultants	699,811	501,063
Medical expenses	500,813	508,208
AL & LSL expenses	89,262	98,050
Share-based payment	90,619	41,949
Other employee benefit expenses	57,928	111,382
	15,676,202	14,677,822
Depreciation and amortisation expense comprises:		
- Depreciation - plant and equipment	125,228	110,535
- Depreciation - right of use assets	441,582	331,400
- Amortisation - intellectual property	800,000	800,000
- Amortisation - development costs	20,958	155,327
	1,387,768	1,397,262
Other Expenses:		
Accounting fees	270,258	260,842
Consulting and professional fees	1,954,786	1,705,304
Filing fees	78,377	86,071
Insurance	267,329	240,803
Legal Fees	83,799	65,449
Marketing	878,919	461,187
Strata Fees	31,536	181,112
Royalties	313,722	73,728
Foreign exchange (gains)/losses	239,655	(599,381)
Communications expense including cloud services	4,641,895	2,729,464
Software including annual maintenance	1,342,748	1,206,099
Travel and accommodation	378,739	293,950
Other expenses	187,732	290,774
	10,669,495	6,995,402

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

4 Income Tax Expense

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

	2024	2023
	\$	\$
Current tax expense/benefit	280,622	-
Deferred tax expense/(benefit)	(688,164)	(283,187)
Origination and reversal of temporary differences	-	(35,087)
Adjustments for under/(over) provision for taxes in prior periods	32,718	(19,368)
Total income tax expense/(benefit)	(374,824)	(337,642)

(b) Reconciliation of income tax to accounting profit:

Profit/(loss)	(4,516,604)	(2,816,259)
Tax	25.00%	25.00%
	(1,129,151)	(704,065)

Add:

Tax effect of:

- non-deductible expenses	248,070	420,878
- tax losses not recognised	476,071	-
- over/(under) provision for tax in prior year	32,718	-
	(372,292)	(283,187)

Less:

Tax effect of:

- Tax losses - foreign jurisdictions	2,532	35,087
- over/(under) provision for tax in prior year	-	19,368
Income tax expense/(benefit)	(374,824)	(337,642)

5 Key Management Personnel Disclosures

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

	2024	2023
	\$	\$
Short-term employee benefits	1,746,027	2,133,135
Long-term benefits	20,765	54,948
Post-employment benefits	108,467	120,654
Share-based payments	110,255	15,936
	1,985,514	2,324,673

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

6 Remuneration of Auditors

	2024	2023
	\$	\$
Remuneration of the auditor of the parent entity, Grant Thornton, for:		
- auditing or reviewing the financial statements	146,341	150,278
- taxation compliance services	45,500	35,130
Total paid or payable to Grant Thornton	<u>191,841</u>	<u>185,408</u>
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial statements of subsidiaries	<u>15,761</u>	12,606
Total	<u><u>207,602</u></u>	<u><u>198,014</u></u>

7 Dividends

a. The following dividends were declared and paid:

Interim unfranked ordinary dividend of nil (2023: nil) cents per share	<u>-</u>	<u>-</u>
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Franking account

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

	2024	2023
	\$	\$
Loss after income tax attributable to the owners of Prophecy International Holdings Limited-	<u>(4,240,324)</u>	<u>(2,488,454)</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>73,618,161</u>	73,604,852
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>73,618,161</u>	<u>73,604,852</u>

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

9 Cash and Cash Equivalents

	2024	2023
	\$	\$
Cash at bank in hand	<u>11,710,885</u>	11,735,885
Total cash and cash equivalents	<u><u>11,710,885</u></u>	<u>11,735,885</u>

10 Financial Assets

Other financial assets - security deposits	<u>102,644</u>	100,400
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11 Trade and Other Receivables

CURRENT

Trade and other receivables	2,987,240	3,372,298
Provision for impairment	<u>(48,258)</u>	<u>(48,258)</u>

	<u>2,938,982</u>	3,324,040
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Other receivable – Research and development tax incentive	-	618,659
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Total current trade and other receivables	<u><u>2,938,982</u></u>	<u>3,942,699</u>
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NON-CURRENT

Deposits	24	24
Other receivables	<u>8,472</u>	<u>8,464</u>

Total non-current trade and other receivables	<u><u>8,496</u></u>	<u>8,488</u>
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Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Notes to the Financial Statements

For the Year Ended 30 June 2024

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
2024						
Expected loss rate	-	-	-	-	-	
Gross carrying amount						
- trade receivables	2,735,950	202,857	62,844	-	(5,915)	2,995,736
Loss allowance	-	-	-	-	-	(48,258)
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)

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 2024 and 30 June 2023 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 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 Assets

	2024	2023
	\$	\$
CURRENT		
Prepayments – incremental costs to obtain contracts with customers	1,410,985	1,495,393
Other prepayments	1,038,092	742,625
	<u>2,449,077</u>	<u>2,238,018</u>
NON-CURRENT		
Prepayments – incremental costs to obtain contracts with customers	<u>869,613</u>	<u>1,201,313</u>

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

13 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%) [*] 2024	Percentage Owned (%) [*] 2023
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	100

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

14 Property, Plant and Equipment

	2024 \$	2023 \$
Plant and equipment		
At cost	960,919	1,596,395
Accumulated depreciation	(779,650)	(1,323,680)
Total plant and equipment	181,269	272,715
Furniture, fixtures and fittings		
At cost	38,098	243,558
Accumulated depreciation	(29,670)	(237,501)
Total furniture, fixtures and fittings	8,428	6,057
Total property, plant and equipment	189,697	278,772

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 2024			
Balance at the beginning of year	272,716	6,056	278,772
Additions	38,540	4,367	42,907
Disposals	(3,096)	-	(3,096)
Depreciation expense	(124,093)	(2,000)	(126,093)
Foreign exchange movements	(2,799)	6	(2,793)
Balance at the end of the year	181,268	8,429	189,697

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

14 Property, Plant and Equipment continued

Movements in carrying amounts of property, plant and equipment continued

	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	<u>272,716</u>	<u>6,056</u>	<u>278,772</u>

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

15 Intangible Assets

	2024	2023
	\$	\$
Goodwill		
Cost	5,108,270	5,108,270
Accumulated impairment losses	<u>(2,981,455)</u>	<u>(2,981,455)</u>
Net carrying value	<u>2,126,815</u>	<u>2,126,815</u>
Intellectual property		
Cost	12,720,000	12,720,000
Accumulated amortisation and impairment	<u>(9,609,291)</u>	<u>(8,809,291)</u>
Net carrying value	<u>3,110,709</u>	<u>3,910,709</u>
Development costs		
Cost	2,678,372	2,678,372
Accumulated amortisation and impairment	<u>(2,675,364)</u>	<u>(2,654,406)</u>
Net carrying value	<u>3,008</u>	<u>23,966</u>
Total Intangibles	<u>5,240,532</u>	<u>6,061,490</u>

Movements in carrying amounts of intangible assets

	Intellectual property	Goodwill	Development costs	Total
	\$	\$	\$	\$
Year ended 30 June 2024				
Balance at the beginning of the year	3,910,709	2,126,815	23,966	6,061,490
Amortisation	<u>(800,000)</u>	-	<u>(20,958)</u>	<u>(820,958)</u>
Closing value at 30 June 2024	<u>3,110,709</u>	<u>2,126,815</u>	<u>3,008</u>	<u>5,240,532</u>
Year ended 30 June 2023				
Balance at the beginning of the year	4,710,709	2,126,815	179,293	7,016,817
Amortisation	<u>(800,000)</u>	-	<u>(155,327)</u>	<u>(955,327)</u>
Closing value at 30 June 2023	<u>3,910,709</u>	<u>2,126,815</u>	<u>23,966</u>	<u>6,061,490</u>

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 with a carrying value of \$2,126,815 (2023 \$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 3 year period at a post-tax discount rate of 15.6%. 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 15.6% to 17.9%, no impairment expenses would have been recognised.

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

15 Intangible Assets continued

Intellectual Property with a carrying value of \$3,110,709 (2023: \$3,910,709), 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 3 year period at a post-tax discount rate of 15.6%. 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 15.6% to 17.9%, no impairment expenses would have been recognised.

16 Leases

(a) Right-of-use assets

	2024
Year ended 30 June 2024	
As at 1 July 2023	1,259,353
Increases - annual lease increase	11,088
FX Revaluation	(9,663)
Depreciation	(441,582)
Balance at end of year	819,196
	2023
Year ended 30 June 2023	
As at 1 July 2022	542,939
Increases - new leases	1,057,112
FX Revaluation	(9,298)
Depreciation	(331,400)
Balance at end of year	1,259,353

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

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
	\$	\$	\$	\$
2024				
Lease liabilities	390,228	494,024	-	884,252
2023				
Lease liabilities	429,826	884,231	-	1,314,057

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

17 Trade and Other Payables

	2024	2023
Note	\$	\$
Trade payables	1,694,393	952,030
Sundry payables and accrued expenses	782,263	887,735
Other payables	2,655	2,657
	<u>2,479,311</u>	<u>1,842,422</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

Unearned revenue from customers	<u>8,868,199</u>	<u>8,479,845</u>
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NON-CURRENT

Unearned revenue from customers	<u>2,514,928</u>	<u>1,217,806</u>
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19 Employee Benefits

CURRENT

Long service leave	646,128	560,511
Annual leave	1,211,593	1,156,955
	<u>1,857,721</u>	<u>1,717,466</u>

NON-CURRENT

Long service leave	<u>125,585</u>	<u>174,994</u>
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Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

20 Issued Capital

	2024	2023
	\$	\$
73,625,934 (2023: 73,610,934) Ordinary shares	<u>35,822,379</u>	<u>35,809,479</u>

(a) Ordinary shares

	2024	2024	2023	2023
	\$	No	\$	No
At the beginning of the reporting period	35,809,479	73,610,934	35,798,079	73,590,934
Issue of shares – employee share scheme	12,900	15,000	11,400	20,000
At the end of the reporting period	<u>35,822,379</u>	<u>73,625,934</u>	35,809,479	73,610,934

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.

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

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 \$72,644 (2023: \$70,400).

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 2024

24 Cash Flow Information

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

	2024	2023
	\$	\$
Profit for the year	(4,229,365)	(2,478,617)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	1,387,768	1,397,262
- net gain on disposal of property, plant and equipment	4,487	-
- foreign exchange (gain)/loss	238,740	(598,593)
- foreign exchange differences arising on translation of foreign subsidiaries	24,518	(32,399)
- share based payments	(90,619)	(41,949)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables and contract assets	327,755	(422,495)
- (increase)/decrease in other assets	(40,669)	(361,097)
- (increase)/decrease in deferred tax asset	1,000,163	(1,224,575)
- (increase)/decrease in income tax receivable	593,277	(181,309)
- increase/(decrease) in contract liabilities	1,685,476	1,498,798
- increase/(decrease) in trade and other payables	636,944	201,487
- increase/(decrease) in deferred tax liability	(1,399,927)	913,143
- increase/(decrease) in employee benefits	90,847	134,555
Cashflows from operations	<u>229,395</u>	<u>(1,195,789)</u>

(b) Credit standby arrangements with banks

Credit facility	75,000	75,000
Amount utilised	<u>(26,875)</u>	<u>(32,750)</u>
	<u>48,125</u>	<u>42,250</u>

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.

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

25 Tax

Current Tax Asset

	2024	2023
	\$	\$
Income tax receivable	25,382	-

Current Tax Liability

Recognised deferred tax assets and liabilities

Deferred tax assets	801,077	1,801,240
Deferred tax liabilities	517,610	1,917,537
Net deferred tax asset / (liability)	283,467	(116,297)

Unrecognised deferred tax assets

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

Tax losses	7,892,469	6,145,696
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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. At 30 June 2024, substantially all tax losses relate to the Group's United States subsidiaries.

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	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
Property, plant and equipment					
- tax allowance	854	(854)	-	-	-
Provisions - employee benefits	372,333	22,276	-	-	394,609
Unrealised foreign exchange	1,040	9,507	-	-	10,547
Accruals	24,153	10,599	-	-	34,752
Deferred tax assets attributable to tax losses	462,082	(321,976)	-	-	140,106
Leases	277,994	(56,931)	-	-	221,063
Balance at 30 June 2024	1,138,456	(337,379)	-	-	801,077

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

25 Tax continued

Deferred Tax Liabilities

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Closing Balance
	\$	\$	\$	\$	\$
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
Prepayments	681,548	(583,995)	-	-	97,553
Property, plant and equipment	10,219	(3,911)	-	-	6,308
Unrealised foreign currency gains	298,020	(57,659)	(31,411)	-	208,950
Leases	264,966	(60,167)	-	-	204,799
Balance at 30 June 2024	1,254,753	(705,732)	(31,411)	-	517,610
Net DTA after offset against DTL	(116,297)	368,353	31,411	-	283,467

Notes to the Financial Statements

For the Year Ended 30 June 2024

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 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

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

26 Operating Segments continued

(e) Segment performance

	Legacy		SNARE		eMite		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
External sales	695,000	745,880	8,252,504	7,947,676	13,924,704	10,913,531	22,872,208	19,607,087
Other revenue	4,125	3,991	1,625	169	314,495	76,909	320,245	81,069
Total segment revenue	699,125	749,871	8,254,129	7,947,845	14,239,199	10,990,440	23,192,453	19,688,156
Segment operating profit/(loss)	(3,234,395)	(2,682,045)	(1,694,834)	(878,604)	325,042	125,731	(4,604,187)	(3,434,918)

(f) Segment assets

Segment assets	1,305,438	2,866,233	6,763,112	7,578,202	16,454,653	16,521,308	24,523,203	26,965,743
- Capital expenditure	8,250	29,845	23,540	88,670	11,116	48,781	42,906	167,296

(g) Segment liabilities

Segment liabilities	2,496,595	2,850,895	6,626,488	6,861,118	7,606,913	5,034,578	16,729,996	14,746,591
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Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

26 Operating Segments continued

(h) Reconciliations

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

	2024	2023
	\$	\$
Total segment revenue	22,872,208	19,607,087

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 profit	(4,604,187)	(3,434,918)
Other income – Research and development incentive	-	618,659
Income tax (expense)/benefit	374,824	337,642
Total net profit after tax	<u>(4,229,363)</u>	<u>(2,478,617)</u>

Reconciliation of segment assets to the consolidated statement of financial position

Segment operating assets	41,180,434	51,370,782
Intersegment eliminations	(21,897,763)	(30,466,529)
Deferred and current tax assets (net)	308,849	-
Intangible assets	5,240,532	6,061,490
Total assets per the consolidated statement of financial position	<u>24,832,052</u>	<u>26,965,743</u>

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

Segment liabilities	57,326,979	61,277,637
Intersegment eliminations	(40,596,983)	(46,531,047)
Deferred tax liabilities (net)	-	116,297
Total liabilities per the consolidated statement of financial position	<u>16,729,996</u>	<u>14,862,887</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.

	2024		2023	
	Revenue	Assets	Revenue	Assets
Australia & New Zealand	4,998,819	17,820,089	2,871,141	21,982,686
North America	15,758,017	5,997,048	14,984,409	5,743,654
Europe	1,663,911	727,234	1,747,742	768,164
Asia	112,446	287,681	3,795	272,479
Middle East	334,513	-	-	-
Africa	4,502	-	-	-
	<u>22,872,208</u>	<u>24,832,052</u>	19,607,087	28,766,983

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2024

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