



PROPHECY INTERNATIONAL HOLDINGS LTD

ACN 079 971 618

Appendix 4E - Preliminary Final Report

For the Year Ended 30 June 2014

Results for announcement to the market

For the Year Ended 30 June 2014

Summary of results	\$	% change	Direction
Revenue from ordinary activities	7,078,458	2.76%	up
Profit after tax attributable to members	906,848	28.50%	down
Net profit attributable to members	906,848	28.50%	down

An unfranked dividend of 0.75 cents will be declared for the full year, with a record date of 18th September 2014 to be paid on 9th October 2014. The Conduit Foreign Income portion of the dividend is zero.

Explanatory Information

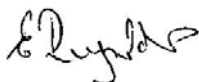
The 2013-2014 year has been completed with an underlying normalised profit before tax of \$1.69 million compared with \$1.77 million before tax last year. The Board has taken up a one-off cost of \$0.37 million in the form of an impairment of goodwill as set out in the notes to the accounts, and this has reduced the profit before tax to \$1.32 million. This impairment is a non cash item and has no effect on the cash position of the company.

Revenues for the full year were up to \$7.1 million from \$6.9 million previously. Our Intersect Alliance business again showed the strongest growth with a total revenue increase of 15% and a 27% increase in new sales invoiced during the year. Sales activity for this division remains strong with an average 29% per annum new sales growth over the last two years and significant new marketing investment is now planned to increase growth rates in this area during the coming year.

Cash on hand at the end of the full year was \$4.67 million compared to \$2.69 million last year. Net cash provided through operating activities during the year was \$2.15 million compared to \$2.34 million in the previous year showing a continued strong cash-flow from the business. A final dividend of 0.75c per share has been declared to complete the year, bringing the full year dividend to 2.75 cents per share. That brings our total dividend payment over the last 8 years to 23.25 cents with an average over that period of 2.9c per share per year. Taxes are expected to be paid in early 2015 and thus franking will soon become available, most likely from the first dividends in 2015.

Intersect Alliance, with its Snare product set, operates in the security part of the software market, enjoying a very strong reputation with worldwide recognition. Its sales model incorporates a larger number of smaller sales compared to our other products, and this has led to smoother revenue and profit flows. Sustained effort has been expended during the course of the year, to continue to grow this business within the group structure. Prophecy has added sales, administration and management resources, to achieve strong growth. The Snare product set has tremendous growth opportunities ahead, which will continue to be our focus for the 2014-2015 year. It is an exciting business with great potential going forward.

Work has been progressing on our next acquisition with many opportunities reviewed so far. We are working with strict criteria to ensure that our next purchase once again adds value to the Prophecy Group. We have been unable to identify and complete a suitable acquisition in the year but continue to work on a number of opportunities in this area. It is a priority, but the transaction needs to be right for our business and timing therefore must run as a secondary consideration.



Ed Reynolds
Chairman

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Other Information

For the Year Ended 30 June 2014

1 Dividends

An unfranked interim dividend of 2.0 cents per ordinary share was paid on 3 April 2014 in respect of the financial year ended 30 June 2014.

2 Retained Profits

	Consolidated Group	
	2014	2013
	\$	\$
Opening balance	(10,394,368)	(10,156,581)
Profit attributable to members of parent entity	906,848	1,268,507
Interim dividend paid	(1,861,342)	(1,506,294)
Reserve transfer	263,556	-
Closing balance	(11,085,306)	(10,394,368)

3 Net Tangible Assets per Security

	2014	2013
	\$	\$
Net Tangible Assets	4,125,498	2,675,663
Number of Securities	55,409,784	50,209,784
Net Tangible Assets per Security	0.07	0.05

4 Changes in Controlled Entities

None

5 Audit Statement

The attached financial statements are currently in the process of being audited.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2014

		2014	2013
	Note	\$	\$
Revenue	2	7,078,458	6,888,043
Employee benefits expense		(3,977,346)	(3,842,627)
Depreciation and amortisation	3	(177,724)	(164,845)
Other expenses	3	(1,235,074)	(1,105,530)
Finance costs		(636)	(6,374)
Impairment of goodwill	15	(370,000)	-
Profit before income tax		1,317,678	1,768,667
Income tax expense	4	(410,830)	(500,161)
Profit from continuing operations		906,848	1,268,506
Profit for the year		906,848	1,268,506
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities		73,286	(62,915)
Other comprehensive income for the year, net of tax		73,286	(62,915)
Total comprehensive income for the year		980,134	1,205,591
Profit attributable to:			
Members of the parent entity		906,848	1,268,506
Total comprehensive income attributable to:			
Members of the parent entity		980,134	1,205,591
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)	8	1.67	2.53
Diluted earnings per share (cents)	8	1.67	2.53

Consolidated Statement of Financial Position

As At 30 June 2014

	Note	2014 \$	2013 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	4,669,504	2,693,254
Trade and other receivables	10	1,043,293	1,375,934
Work in progress	11	46,761	11,008
Other financial assets	12	-	1
Other assets	16	62,304	53,356
TOTAL CURRENT ASSETS		5,821,862	4,133,553
NON-CURRENT ASSETS			
Trade and other receivables	10	1,404	1,426
Property, plant and equipment	14	130,833	70,115
Deferred tax assets	27	609,155	686,621
Intangible assets	15	3,476,450	3,779,493
TOTAL NON-CURRENT ASSETS		4,217,842	4,537,655
TOTAL ASSETS		10,039,704	8,671,208
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	289,470	328,546
Current tax liabilities	27	289,761	(1,828)
Employee benefits	20	705,678	775,411
Other financial liabilities	18	1,027,601	885,096
TOTAL CURRENT LIABILITIES		2,312,510	1,987,225
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	93,429	54,314
Employee benefits	20	31,817	24,513
Other liabilities	19	-	150,000
TOTAL NON-CURRENT LIABILITIES		125,246	228,827
TOTAL LIABILITIES		2,437,756	2,216,052
NET ASSETS		7,601,948	6,455,156
EQUITY			
Issued capital	21	18,959,464	16,931,464
Reserves		(8,774)	(82,060)
Retained earnings		(11,085,306)	(10,394,368)
Total equity attributable to equity holders of the Company		7,865,384	6,455,036
Non-controlling interest		(263,436)	120
TOTAL EQUITY		7,601,948	6,455,156

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

2014

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2013	16,931,464	(10,394,368)	(206,885)	124,825	120	6,455,156
Profit attributable to members of the parent entity	-	906,848	-	-	-	906,848
Total other comprehensive income for the year	-	-	73,286	-	-	73,286
Dividends provided for or paid	7	(1,861,342)	-	-	-	(1,861,342)
Shares issued during the year	21	2,028,000	-	-	-	2,028,000
Reserve transfer	-	263,556	-	-	(263,556)	-
Balance at 30 June 2014	18,959,464	(11,085,306)	(133,599)	124,825	(263,436)	7,601,948

2013

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2012	16,931,464	(10,156,580)	(143,970)	124,825	120	6,755,859
Profit attributable to members of the parent entity	-	1,268,506	-	-	-	1,268,506
Total other comprehensive income for the year	-	-	(62,915)	-	-	(62,915)
Dividends provided for or paid	7	(1,506,294)	-	-	-	(1,506,294)
Balance at 30 June 2013	16,931,464	(10,394,368)	(206,885)	124,825	120	6,455,156

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		7,443,436	6,529,993
Payments to suppliers and employees		(5,376,696)	(4,396,917)
Interest received		61,933	75,496
Interest and other costs of finance paid		(636)	(6,374)
Income taxes refunded		24,737	142,219
Net cash provided by operating activities	24	2,152,774	2,344,417
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(92,508)	(33,099)
Development expenditure		(213,171)	-
Net cash used by investing activities		(305,679)	(33,099)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		2,028,000	-
Dividends paid by parent entity		(1,861,342)	(1,506,294)
Net cash provided by/(used by) financing activities		166,658	(1,506,294)
Net increase in cash and cash equivalents held		2,013,753	805,024
Cash and cash equivalents at beginning of year		2,693,254	1,893,832
Effects of foreign exchange rates on overseas cash holdings		(37,503)	(5,602)
Cash and cash equivalents at end of financial year	9	4,669,504	2,693,254

Notes to the Financial Statements

For the Year Ended 30 June 2014

This financial report covers the consolidated financial statements and notes of Prophecy International Holdings Limited and Controlled Entities (the 'group'). Prophecy International Holdings Limited and Controlled Entities is a for profit Company domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2014. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(c) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the assets, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

(d) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax 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 tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 consequences relating to a non-monetary asset carried at fair value are determined using the

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(d) Income Tax continued

assumption that the carrying amount of the asset will be recovered through sale.

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 tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

(e) Property, Plant and Equipment

Classes of property, plant and equipment are measured at cost.

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

The depreciable amount of all property, plant and equipment is depreciated on a reducing balance method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets 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%

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(f) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(g) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(g) Financial instruments continued

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be sold within 12 months after the end of the reporting period.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All of the Company's derivative financial instruments that are not designated as hedging instruments in accordance with the strict conditions explained in AASB 139 are accounted for at fair value through profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(g) Financial instruments continued

Hedging

On initial recognition of the hedge, documentation is prepared which shows the relationship between the hedged item and the hedging instrument, the risk management plan for the hedge and the methods for testing prospective and retrospective effectiveness.

Cash flow hedges

Where the risk management plan is to reduced variability in cashflows for a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss – the hedge is deemed to be a cash flow hedge.

The effective portion of the change in the fair value of the derivative is taken to other comprehensive income until the period in which the non-financial asset affects profit or loss. Any ineffective portion of the change in fair value of the derivative is taken immediately to profit or loss.

Fair value hedges

Changes in the fair value of derivatives and the hedged item where the hedge has been designated as a fair value hedge are taken to profit or loss.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(g) Financial instruments continued

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(i) 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.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(i) Intangible Assets continued

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.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised as intangible assets only when technical feasibility studies identify the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

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. 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 estimated to be 5 years.

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in Note 15.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(i) Intangible Assets continued

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 risks factors.

(j) 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 2014

1 Summary of Significant Accounting Policies continued

(k) Employee benefits

Provision is made for the Company'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 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 twelve months 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 national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the consolidated statement of financial position if the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

Defined contribution schemes

All employees of the Group other than those that receive defined benefit entitlements receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.25% 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.

(l) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(m) Cash and cash equivalents

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

Bank overdrafts also form part of cash equivalents for the purpose of the consolidated statement of cash flows and are presented within current liabilities on the consolidated statement of financial position.

(n) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

Sales of the consolidated group's products are structured around initial licence fees plus annual licence fees. Initial licence fees together with time and materials consulting services contracts are recognised as income in the year of invoicing. A percentage of annual licence fees is recognised as income in the year of invoicing, the balance covers forward maintenance and support commitments and is brought to account on a pro-rata basis.

Rendering of services

For fixed price consulting service contracts, revenue is recognised on a stage of completion basis and measured using the proportion of actual hours spent on a contract compared to the total expected hours to complete the contract.

The recoverable amount of trade receivables is reviewed on an ongoing basis. Where there is reasonable doubt that the full amount of a trade receivable will not be recovered, a provision for impairment is recognised.

Interest revenue

Interest is recognised using the effective interest method.

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

(o) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(h) for further discussion on the determination of impairment losses.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(p) 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.

(q) 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.

(r) 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 payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

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.

(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) Adoption of new and revised accounting standards

During the current year, the following standards became mandatory and have been adopted retrospectively by the Group:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses and the impact of adoption of these standards is discussed below.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(t) Adoption of new and revised accounting standards continued

AASB 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2013 and therefore the Group has applied it for the first time in these financial statements. AASB 10 includes a new definition of control, including additional guidance for specific situations such as control in a principal / agent situation and when holding less than majority voting rights may give control. AASB 10 supersedes the previous requirements of AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation - Special Purpose Entities* and resulted in consequential amendments to a number of other standards.

The Group has reviewed its investment in other entities to determine whether any changes were required to the consolidated entity under AASB 10. The composition of the consolidated entity is the same under AASB 10 and therefore there is no change to the reported financial position and performance.

AASB 11 *Joint Arrangements* replaces AASB 131 *Interests in Joint Ventures* and Interpretation 112 *Jointly-Controlled Entities - Non-monetary Contributions by Venturers* as well as consequential amendments to a number of other standards. AASB 11 uses the revised definition of control from AASB 10 and once joint control is determined, then classifies joint arrangements as either joint ventures or joint operations. Joint ventures are accounted for using the equity method, proportionate consolidation is not permitted under AASB 11. Joint operations are accounted for by incorporating the venturer's share of assets, liabilities, income and expenses into the financial statements. There were no changes to the accounting for joint arrangements under AASB 11.

AASB 12 *Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interest in associates, joint arrangements, subsidiaries and structured entities. On adoption of AASB 12, additional disclosures have been included in the financial statements in relation to investments held.

AASB 13 *Fair Value Measurement* does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for non-financial assets. AASB 13 has not changed the fair value measurement basis for any assets or liabilities held at fair value, however additional disclosures on the methodology and fair value hierarchy have been included in the financial statements.

AASB 119 *Employee benefits* changes the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for short-term employee benefits and termination benefits.

The Group reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period. Whilst this has been considered to be a long-term employee benefits for the purpose of measuring the leave under AASB 119, the effect of discounting was not considered to be material and therefore has not been performed.

(u) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(u) Critical accounting estimates and judgments continued

Key estimates - impairment of tax losses

Deferred tax assets include amounts related to unused tax losses. At each balance date the directors review the likelihood that the Group be able to generate sufficient future taxable profits to utilise these tax losses, and adjusts deferred tax assets accordingly. Further information regarding the conditions under which these tax losses may be utilised can be found in Note 27.

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(i).

Key judgments - provision for impairment of receivables

The value of the provision for impairment of receivables is estimated by considering the ageing of receivables, communication with the debtors and prior history.

(v) New Accounting Standards and Interpretations

The accounting standards that have not been early adopted for the year ended 30 June 2014, but will be applicable to the group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to the group.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group. Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

Year ended 30 June 2015:

AASB 1031: Materiality

AASB 2013-4, Novation of Derivatives and Continuation of Hedge Accounting

AASB 2013-5, Investment Entities

AASB 2013-9, Conceptual Framework, Materiality and Financial Instruments

AASB 2014-1, Amendments to Australian Accounting Standards

These standards make changes to a number of existing Australian Accounting Standards and are not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports.

Year ended 30 June 2017: Amendments to AASB 116 and AASB 138, Clarification of acceptable methods of depreciation and amortisation

This standard will clarify that revenue based methods to calculate depreciation and amortisation are not considered appropriate. This will not result in a change to the manner in which the Group's financial result is determined as no such method is currently in use.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(v) New Accounting Standards and Interpretations continued

Year ended 30 June 2018: IFRS 15: Revenue from Contracts with Customers

This standard will change the timing and in some cases the quantum of revenue received from customers. IFRS 15 requires an entity to recognise revenue by identifying for each customer contract, the performance obligations in the contract and the transaction price. The transaction price is then allocated against the performance obligations in the contract with revenue recognised when (or as) the entity satisfies each performance obligation.

Management are currently assessing the impact of the new standard but it is not expected to have a material impact on the financial performance or financial position of the consolidated entity.

Year ended 30 June 2019: AASB 9: Financial Instruments

This standard introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).
- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted by presenting changes in credit risk in other comprehensive income (OCI) and the remaining change in the statement of profit or loss.

This standard is not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports although the Group will quantify the effect of the application of AASB 9 when the final standard, including all phases, is issued.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014	2013
	\$	\$
2 Revenue and Other Income		
Revenue from continuing operations		
Sales revenue		
- sale of goods	5,649,253	5,372,107
- provision of services	1,217,272	1,290,440
	6,866,525	6,662,547
Other income		
- other interest received	61,933	75,496
- adjustment of earnout balance payable	150,000	150,000
Total Revenue	7,078,458	6,888,043

(a) Sale of Licences

Revenue generated from the sale of goods represents revenue from the sale of computer software licences. It is not possible to develop a meaningful cost of sales figure attributable to this revenue and accordingly none has been disclosed.

3 Result for the Year

The result for the year includes the following specific expenses:

Expenses

Salaries and wages	2,951,986	2,891,246
Superannuation contributions	255,960	244,035

Depreciation and amortisation expense comprises:

- Depreciation - plant and equipment	31,510	29,844
- Amortisation - intellectual property	135,001	135,001
- Amortisation - development costs	11,213	-
	177,724	164,845

Impairment

Impairment of goodwill	370,000	-
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Other Expenses:

Accounting fees	97,237	126,294
Consulting and professional fees	111,989	45,777
Electricity and water	32,922	45,188
Filing fees	63,473	55,998
Insurance	102,168	104,083
Rent expense	184,679	200,384
License fees	27,745	57,259
Communications expense	40,962	41,444
Travel and accommodation	189,618	214,401
Other expenses	384,281	214,702
	1,235,074	1,105,530

Notes to the Financial Statements

For the Year Ended 30 June 2014

2014	2013
\$	\$

3 Result for the Year continued

(a) Research and Development Expenses

Research and Development costs of \$467,310 are included in the total expenses for the Group and include salaries and wages and on-costs. Research and development costs for 2013 of \$889,853 are included in the total expenses for the Group and include salaries and wages and on-costs.

Development costs for Intersect Alliance for 2014 of \$213,171 have been capitalised and shown in the statement of financial position as an intangible asset.

4 Income Tax Expense

(a) The major components of tax expense comprise:

Current tax expense	263,140	-
Deferred tax expense	147,690	500,161
Total income tax expense	410,830	500,161

(b) Reconciliation of income tax to accounting profit:

Profit	1,317,678	1,768,667
Tax	30%	30%
	395,303	530,600

Add:

Tax effect of:

- non-deductible depreciation and amortisation	40,500	40,500
- goodwill impairment	111,000	-
- non-deductible expenses	761	539
- tax losses not recognised	-	110,383
	547,564	682,022

Less:

Tax effect of:

- over provision for income tax in prior year	-	3,873
- previously non-deductible expenses	-	28,609
- other	40,652	-
Recoupment of prior year tax losses not previously brought to account	96,082	149,379

Income tax expense	410,830	500,161
Weighted average effective tax rate	31%	28%

The increase in the weighted average effective consolidated tax rate for 2014 is a result of the impairment of goodwill.

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

Timing differences on unrealised foreign exchange gains/(losses)	(17,429)	101,755
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Notes to the Financial Statements

For the Year Ended 30 June 2014

2014	2013
\$	\$

5 Key Management Personnel Disclosures

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

Short-term employee benefits	777,707	811,561
Post-employment benefits	76,060	78,336
	853,767	889,897

6 Remuneration of Auditors

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial report	63,500	61,700
- taxation services	39,058	33,664

Remuneration of other auditors of subsidiaries for:

- auditing or reviewing the financial report of subsidiaries	10,624	9,171
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7 Dividends

a. The following dividends were declared and paid:

Interim unfranked ordinary dividend of 2.0 (2013: 2.0) cents per share paid on 3 April 2014	1,108,196	1,004,196
Final unfranked ordinary dividend of 1.5 (2013: 1.0) cents per share paid on 2 October 2013	753,146	502,098

Total

	1,861,342	1,506,294
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Total dividends per share declared and paid	3.50	3.00
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b. Proposed final 2014 unfranked ordinary dividend of 0.75 (2013: 1.5) cents per share to be paid 9 October 2014

415,574	753,147
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The proposed final dividend for 2014 was declared after the end of the reporting period and therefore has not been provided for in the financial statements. There are no income tax consequences arising from this dividend at 30 June 2014.

Franking account

The franking credits available for subsequent financial years at a tax rate of 30% - -

The above available balance is based on the dividend franking account at year-end adjusted for:

- (a) Franking credits that will arise from the payment of the current tax liabilities;
- (b) Franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- (c) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The impact on the franking credit of the dividends proposed after the end of the reporting period is to reduce it by \$ Nil (2013: \$ Nil).

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014 \$	2013 \$
8 Earnings per Share		
(a) Reconciliation of earnings to profit or loss from continuing operations		
Profit from continuing operations	906,848	1,268,507
Earnings used to calculate basic EPS from continuing operations	906,848	1,268,507
Earnings used in the calculation of dilutive EPS from continuing operations	906,848	1,268,507
(b) Earnings used to calculate overall earnings per share		
Earnings used to calculate overall earnings per share	906,848	1,268,507
(c) 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	54,270,058	50,209,784
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	54,270,058	50,209,784
9 Cash and cash equivalents		
Cash at bank and in hand	4,632,612	1,924,504
Short-term bank deposits	36,892	768,750
	4,669,504	2,693,254
10 Trade and other receivables		
CURRENT		
Trade receivables	975,828	1,260,626
Accrued revenue	58,364	98,128
Other receivables	9,101	17,180
Total current trade and other receivables	1,043,293	1,375,934
NON-CURRENT		
Deposits	24	24
Other receivables	1,380	1,402
Total non-current trade and other receivables	1,404	1,426

Notes to the Financial Statements

For the Year Ended 30 June 2014

2014
\$

2013
\$

10 Trade and other receivables continued

The following table details the Group's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount \$	Past due and impaired \$	< 30 \$	31-60 \$	61-90 \$	> 90 \$	Within initial trade terms \$
2014							
Trade and other receivables	1,044,697	-	189,198	41,597	57,792	55,791	700,319
2013							
Trade and other receivables	1,377,360	-	194,903	150,600	50,952	410,701	570,204

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.

(a) Collateral held as security

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

(b) Financial assets classified as loans and receivables

Trade and other receivables

- total current	1,043,293	1,375,934
- total non-current	1,404	1,426

Financial assets

1,044,697	1,377,360
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11 Inventories

CURRENT

At cost:

Work in progress

46,761

11,008

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014 \$	2013 \$
12 Other financial assets		
Financial assets at fair value through profit or loss		
listed shares	-	1

13 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%) [*] 2014	Percentage Owned (%) [*] 2013
Subsidiaries:			
Promadis Pty Ltd	Australia	100.0	100.0
Intersect Alliance International Pty Ltd	Australia	100.0	100.0
Prophecy International Pty Ltd as trustee for CSP Unit Trust	Australia	100.0	100.0
Prophecy R&D Pty Ltd	Australia	100.0	100.0
Prophecy Americas' Inc	United States	93.1	93.1
Prophecy Europe Limited	United Kingdom	100.0	100.0

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014 \$	2013 \$
14 Property, plant and equipment		
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	603,582	561,340
Accumulated depreciation	(508,570)	(505,167)
Total plant and equipment	95,012	56,173
Furniture, fixtures and fittings		
At cost	243,701	220,005
Accumulated depreciation	(207,880)	(206,063)
Total furniture, fixtures and fittings	35,821	13,942
Total property, plant and equipment	130,833	70,115

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:

Consolidated	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Total \$
Year ended 30 June 2014			
Balance at the beginning of year	56,173	13,942	70,115
Additions	68,543	23,965	92,508
Depreciation expense	(29,424)	(2,086)	(31,510)
Foreign exchange movements	(280)	-	(280)
Balance at the end of the year	95,012	35,821	130,833

Consolidated	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Total \$
Year ended 30 June 2013			
Balance at the beginning of year	47,154	19,580	66,734
Additions	33,099	-	33,099
Depreciation expense	(24,206)	(5,638)	(29,844)
Foreign exchange movements	126	-	126
Balance at the end of the year	56,173	13,942	70,115

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014 \$	2013 \$
15 Intangible Assets		
Goodwill		
Cost	3,146,815	3,146,815
Accumulated impairment losses	(370,000)	-
Net carrying value	2,776,815	3,146,815
Patents, trademarks and other rights		
Cost	1,364,132	1,364,132
Accumulated amortisation and impairment	(866,455)	(731,454)
Net carrying value	497,677	632,678
Development costs		
Cost	213,171	-
Accumulated amortisation and impairment	(11,213)	-
Net carrying value	201,958	-
Total Intangibles	3,476,450	3,779,493

	Intellectual property - at cost \$	Goodwill - at cost \$	Development costs \$	Total \$
Consolidated				
Year ended 30 June 2014				
Balance at the beginning of the year	632,678	3,146,815	-	3,779,493
Additions	-	-	213,171	213,171
Amortisation	(135,001)	-	(11,213)	(146,214)
Impairment of goodwill	-	(370,000)	-	(370,000)
Closing value at 30 June 2014	497,677	2,776,815	201,958	3,476,450

	Intellectual property - at cost \$	Goodwill - at cost \$	Development costs \$	Total \$
Consolidated				
Year ended 30 June 2013				
Balance at the beginning of the year	767,679	3,146,815	-	3,914,494
Amortisation	(135,001)	-	-	(135,001)
Closing value at 30 June 2013	632,678	3,146,815	-	3,779,493

Notes to the Financial Statements

For the Year Ended 30 June 2014

2014	2013
\$	\$

15 Intangible Assets continued

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the consolidated statement of profit or loss and other comprehensive income. Goodwill has an indefinite life and is not amortised.

Intellectual property with a carrying value of \$77,679 (2013: \$111,249) relates to copyright in Promadis Ltd's Forensic Science LIMS and Cardiology products. These products have a remaining amortisation period of 2.5 years.

Intellectual property with a carrying value of \$419,998 (2013: \$521,429) relates to copyright in Intersect Alliance International Pty Ltd's software products. These products have a remaining amortisation period of approximately 4 years.

Goodwill with a carrying value of \$650,000 (2013: \$1,020,000), determined on a value in use basis has been allocated to the Promadis Pty Ltd segment. Value in use has been determined by reference to the net present value of cash flow projections over the next 5 years, discounted at a rate of 10%. It is assumed that 3% revenue growth will occur over the five year period. Management has based these assumptions on the targets set for the Promadis business.

Goodwill with a carrying value of \$2,126,815 (2013: \$2,126,815), determined on a value in use basis has been allocated to the Intersect Alliance International Pty Ltd segment. Value in use has been determined by reference to the net present value of cash flow projections over the next 5 years, discounted at a rate of 10%. It is assumed that revenue will continue to grow at 10% rates over the five years of the model, and this will result in 5% profit growth over the cycle. Management has based these assumptions on the targets set for the business.

16 Other non-financial assets

CURRENT

Prepayments

62,304	53,356
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17 Trade and other payables

CURRENT

Unsecured liabilities

Trade payables

61,665	110,777
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Sundry payables and accrued expenses

225,149	215,113
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Other payables

2,656	2,656
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289,470	328,546
----------------	---------

(a) Financial liabilities at amortised cost classified as trade and other payables

Trade and other payables:

- total current

289,470	328,546
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Financial liabilities as trade and other payables

289,470	328,546
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18 Other Financial Liabilities

CURRENT

Deferred income

1,027,601	885,096
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Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014 \$	2013 \$
19 Other liabilities		
NON-CURRENT		
Deferred consideration	-	150,000

The deferred consideration was not paid out as the profit of Intersect Alliance Pty Ltd for 2014 did not meet the earn out agreement requirements.

20 Employee Benefits		
Current liabilities		
Long service leave	459,400	502,093
Provision for employee benefits	246,278	273,318
	705,678	775,411
Non-current liabilities		
Long service leave	31,817	24,513

21 Issued Capital		
55,409,784 (2013: 50,209,784) Ordinary shares	18,959,464	16,931,464

(a) Ordinary shares

	No.	No.
At the beginning of the reporting period	50,209,784	50,209,784
Shares issued during the year	5,200,000	-
At the end of the reporting period	55,409,784	50,209,784
Ordinary shares	16,931,464	16,931,464
5,200,000 shares @ .39c issued during the year	2,028,000	-
	18,959,464	16,931,464

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

Capital of the Group is managed in order to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

The Group's capital comprises of share capital, retained profit and non-controlling interests of the group.

There are no externally imposed capital requirements.

The Group monitors capital through the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is defined as equity per the consolidated statement of financial position plus net debt.

Notes to the Financial Statements

For the Year Ended 30 June 2014

2014	2013
\$	\$

22 Capital and Leasing Commitments

Minimum lease payments under non-cancellable operating leases:

- not later than one year	184,021	174,228
- between one year and five years	16,803	141,918
	200,824	316,146

Operating leases have been taken out for premises in Adelaide and Brisbane.

The Adelaide lease terminates on 30 June 2015.

The Brisbane premises are subject to a 12 month tenancy, terminating on 23 March 2015.

Prophecy Americas' Inc. has entered into a 24 month tenancy, terminating on 31 May 2016.

23 Contingencies

Contingent Liabilities

Prophecy International Pty Ltd, a controlled entity, has provided a guarantee to a third party in respect of a property lease rental. The maximum amount payable is \$26,982 (2013: \$68,750).

Details of leases can be found in Note 22. The guarantee is secured by a fixed charge over Prophecy International Pty Ltd's bank balances.

No material losses are anticipated in respect to this contingency.

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014 \$	2013 \$
24 Cash Flow Information		
(a) Reconciliation of result for the year to cashflows from operating activities		
Profit for the year	906,848	1,268,507
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	177,724	164,846
- impairment of goodwill	370,000	-
- foreign exchange (gain)/loss	117,609	126,379
- foreign exchange differences arising on translation of foreign subsidiaries	(6,541)	(62,913)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	332,665	(148,560)
- (increase)/decrease in inventories	(35,753)	61,825
- (increase)/decrease in deferred tax receivable	77,466	466,446
- (increase)/decrease in other assets	(8,948)	33,954
- increase/(decrease) in income in advance	142,505	358,706
- increase/(decrease) in trade and other payables	(189,076)	(144,958)
- increase/(decrease) in income taxes payable	291,589	146,264
- increase/(decrease) in deferred taxes payable	39,115	15,617
- increase/(decrease) in employee benefits	(62,429)	58,304
Cashflow from operations	2,152,774	2,344,417
(b) Credit standby arrangements with banks		
Credit facility	20,000	20,000
Amount utilised	(453)	(370)
	19,547	19,630

The major facilities are summarised as follows:

Credit cards:

Prophecy International Pty Ltd, Intersect Alliance Pty Ltd and Promadis Pty Ltd, controlled entities, have credit card facilities.

25 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Notes to the Financial Statements

For the Year Ended 30 June 2014

2014	2013
\$	\$

26 Reserves and retained surplus

(a) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(b) Share option reserve

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014	2013		
	\$	\$		
27 Tax				
Current Tax Liability				
Income tax payable	289,761	(1,828)		
Recognised deferred tax assets and liabilities				
Deferred tax assets	609,155	686,621		
Deferred tax liabilities	93,429	54,314		
	Opening Balance \$	Charged to Income \$	Charged directly to Equity \$	Closing Balance \$
Deferred tax assets				
Property, plant and equipment				
- tax allowance	4,053	(2,377)	-	1,676
Provisions - employee benefits	216,165	17,502	-	233,667
Unrealised foreign exchange	250,451	(5,944)	(101,755)	142,752
Accruals	104,753	2,274	-	107,027
Deferred tax assets attributable to tax losses	698,550	(497,051)	-	201,499
Balance at 30 June 2013	1,273,972	(485,596)	(101,755)	686,621
Property, plant and equipment				
- tax allowance	1,676	(1,108)	-	568
Provisions - employee benefits	233,667	(19,681)	-	213,986
Unrealised foreign exchange	142,752	31,472	17,429	191,653
Accruals	107,027	(3,901)	-	103,126
Deferred tax assets attributable to tax losses	201,499	(103,446)	-	98,053
s40-880 deduction	-	1,769	-	1,769
Balance at 30 June 2014	686,621	(94,895)	17,429	609,155
Deferred tax liability				
Work in progress	2,574	19,209	-	21,783
Prepayments	1,781	(903)	-	878
Other current assets	35	17,369	-	17,404
Unrealised foreign currency gains	34,307	(20,058)	-	14,249
Balance at 30 June 2013	38,697	15,617	-	54,314
Work in progress	21,783	(4,350)	-	17,433
Prepayments	878	131	-	1,009
Other current assets	17,404	57,008	-	74,412
Unrealised foreign currency gains	14,249	(13,674)	-	575
Balance at 30 June 2014	54,314	39,115	-	93,429

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014	2013
	\$	\$

27 Tax continued

Unrecognised deferred tax assets

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

Tax losses	3,860,663	3,681,396
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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.

28 Company Details

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

Prophecy International Holdings Limited and Controlled Entities
Level 2
124 Waymouth Street
Adelaide SA 5000