PROPHECY INTERNATIONAL HOLDINGS LTD

ACN 079 971 618

Appendix 4E - Preliminary Final Report

For the Year Ended 30 June 2015

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Results for announcement to the market

For the Year Ended 30 June 2015

Summary of results	% change	Direction	$
Revenue from ordinary activities	41%	up	9,956,360
Profit from ordinary activities before tax attributable to members	162%	up	3,447,811
Profit from ordinary activities after tax attributable to members	162%	up	2,378,480
Profit from ordinary activities attributable to members (after non controlling interests)	157%	up	2,334,088

A fully franked dividend of 2.2 cents will be declared for the full year, with a record date of 17th September 2015 to be paid on 8th October 2015. The Conduit Foreign Income portion of the dividend is zero.

Explanatory Information

The 2014-2015 year has been completed with an underlying normalised profit before tax of $4.10 million compared to $1.69 million last year. The Board has taken up a cost of $0.65 million for the full year in the form of impairment of goodwill as set out in the notes to the accounts, and this has reduced the profit before tax to $3.45 million compared to $1.32 million last year. This impairment is a non cash item and has no effect on the cash position of the company.

Revenues for the full year showed strong growth, increasing by 41% to $10.0 million compared with $7.1 million last year. Our SNARE business stood out with very strong growth of 127% for total revenue and a 250% increase in new sales invoiced for the year in Australian dollars. The decline in the value of the Australian dollar assisted in the invoiced sales growth, but by far the largest factor was a steep increase in completed sales which was due to a much expanded sales force working a planned approach with adherence to a formalised sales process that enabled the achievement of high close rates. A superb result with fantastic growth for the SNARE business. Further growth of the SNARE business is planned for the 2015-2016 year.

Cash on hand at the end of the full year was $5.60 million compared to $4.67 million last year. Net cash provided through operating activities during the year was $2.87 million compared to $2.15 million in the previous year showing a continued strong cash-flow from the business. A final dividend of 2.2 cents per share has been declared to complete the year, bringing the full year dividend to 4.2 cents per share. That brings our total dividend payment over the last 9 years to 27.45 cents with an average over that period of 3.05c per share per year. Current dividends are now fully franked. With the acquisition of eMite and the expected further growth of SNARE, future dividends are expected to increase.

In July 2015, Prophecy acquired 100% of eMite Pty Ltd. The eMite product set provides a service intelligence platform which combines analytics, correlations, capacity, performance, availability and SLA management in a single out of the box solution. The eMite software can aggregate from any data source, provide multiple service modules for both business and IT and deliver it all via a fantastic end user driven presentation layer. The acquisition of eMite provides Prophecy with a coherent bolt-on opportunity that will immediately deepen our data management and analytics domain presence. There are exciting revenue and marketing synergies by leveraging Snare's existing relationships with enterprise and mid-market clients to cross sell the eMite solution.

New SNARE sales are expected to continue to grow in the 2016 Financial year and our expectation is that the growing Prophecy revenues including SNARE plus the growing eMite revenues will total approximately $20 million for the 2016 year. Profit growth is expected for both the SNARE business and the acquired eMite business and 2016 is expected to deliver a before tax profit of $8.2 million in total for the group. Such a result will see the company double in size during FY 2016.

Ed Reynolds
Chairman

Other Information

For the Year Ended 30 June 2015

1 Dividends

A fully franked interim dividend of 2.0 cents per ordinary share was paid on 2 April 2015 in respect of the financial year ended 30 June 2015.

2 Retained Profits

	Consolidated Group	
	2015	2014
	$	$
Opening balance	(11,085,306)	(10,394,368)
Profit attributable to members of parent entity	2,334,088	906,848
Dividends paid	(1,523,770)	(1,861,342)
Reserve transfer	-	263,556
Closing balance	**(10,274,988)**	**(11,085,306)**

3 Net Tangible Assets per Security

	2015	2014
	$	$
Net Tangible Assets	5,362,705	4,125,498
Number of Securities	55,409,784	55,409,784
Net Tangible Assets per Security	0.10	0.07

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 2015

	Note	2015 $	2014 $
Revenue	2	**9,956,360**	7,078,458
Other income		**408,148**	-
Employee benefits expense		**(4,787,575)**	(3,977,346)
Depreciation and amortisation	3	**(225,791)**	(177,724)
Impairment of Goodwill	14	**(650,000)**	(370,000)
Other expenses	3	**(1,253,331)**	(1,235,074)
Finance costs		**-**	(636)
Profit before income tax		**3,447,811**	1,317,678
Income tax expense	4	**(1,069,331)**	(410,830)
Profit for the year		**2,378,480**	906,848
Other comprehensive income, 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		**(111,082)**	73,286
Other comprehensive income for the year, net of tax		**(111,082)**	73,286
Total comprehensive income for the year		**2,267,398**	980,134
Profit attributable to:			
Members of the parent entity		**2,334,088**	906,848
Non-controlling interest		**44,392**	-
		2,378,480	906,848
Total comprehensive income attributable to:			
Members of the parent entity		**2,223,006**	980,134
Non-controlling interest		**44,392**	-
		2,267,398	980,134
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)	8	**4.21**	1.67
Diluted earnings per share (cents)	8	**4.21**	1.67

Consolidated Statement of Financial Position

As At 30 June 2015

	Note	2015 $	2014 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	**5,602,812**	4,669,504
Trade and other receivables	10	**3,219,258**	1,043,293
Work in progress	11	**85,524**	46,761
Other assets	15	**158,965**	62,304
TOTAL CURRENT ASSETS		**9,066,559**	5,821,862
NON-CURRENT ASSETS			
Trade and other receivables	10	**3,521**	1,404
Property, plant and equipment	13	**178,763**	130,833
Deferred tax assets	25	**375,258**	609,155
Intangible assets	14	**2,982,871**	3,476,450
TOTAL NON-CURRENT ASSETS		**3,540,413**	4,217,842
TOTAL ASSETS		**12,606,972**	10,039,704
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	**724,462**	289,470
Current tax liabilities	25	**637,434**	289,761
Employee benefits	18	**795,904**	705,678
Other financial liabilities	17	**1,800,139**	1,027,601
TOTAL CURRENT LIABILITIES		**3,957,939**	2,312,510
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**272,809**	93,429
Employee benefits	18	**30,648**	31,817
TOTAL NON-CURRENT LIABILITIES		**303,457**	125,246
TOTAL LIABILITIES		**4,261,396**	2,437,756
NET ASSETS		**8,345,576**	7,601,948
EQUITY			
Issued capital	19	**18,959,464**	18,959,464
Reserves		**(119,856)**	(8,774)
Retained earnings		**(10,274,988)**	(11,085,306)
Total equity attributable to equity holders of the Company		**8,564,620**	7,865,384
Non-controlling interest		**(219,044)**	(263,436)
TOTAL EQUITY		**8,345,576**	7,601,948

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2015

2015

	Note	Issued Capital $	Retained Earnings $	Foreign Currency Translation Reserve $	Option Reserve $	Non-controlling Interests $	Total $
Balance at 1 July 2014		**18,959,464**	**(11,085,306)**	**(133,599)**	**124,825**	**(263,436)**	**7,601,948**
Profit attributable to members of the parent entity		**-**	**2,334,088**	**-**	**-**	**-**	**2,334,088**
Profit attributable to non-controlling interests		**-**	**-**	**-**	**-**	**44,392**	**44,392**
Total other comprehensive income for the year		**-**	**-**	**(111,082)**	**-**	**-**	**(111,082)**
Dividends provided for or paid	7	**-**	**(1,523,770)**	**-**	**-**	**-**	**(1,523,770)**
Balance at 30 June 2015		**18,959,464**	**(10,274,988)**	**(244,681)**	**124,825**	**(219,044)**	**8,345,576**

2014

	Note	Issued Capital $	Retained Earnings $	Foreign Currency Translation Reserve $	Option Reserve $	Non-controlling Interests $	Total $
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		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

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2015

	Note	2015 $	2014 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**8,143,997**	7,443,436
Payments to suppliers and employees		**(4,802,533)**	(5,376,696)
Interest received		**75,739**	61,933
Interest and other costs of finance paid		**-**	(636)
Income taxes (paid)/refunded		**(549,164)**	24,737
Net cash provided by operating activities	22	**2,868,039**	2,152,774
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(128,962)**	(92,508)
Development expenditure		**(335,468)**	(213,171)
Net cash used by investing activities		**(464,430)**	(305,679)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		**-**	2,028,000
Dividends paid by parent entity		**(1,523,770)**	(1,861,342)
Net cash (used by)/provided by financing activities		**(1,523,770)**	166,658
Effects of foreign exchange rates on overseas cash holdings		**53,469**	(37,503)
Net increase in cash and cash equivalents held		**933,308**	1,976,250
Cash and cash equivalents at beginning of year		**4,669,504**	2,693,254
Cash and cash equivalents at end of financial year	9	**5,602,812**	4,669,504

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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 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 12 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.

(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.

1 Summary of Significant Accounting Policies continued

(c) Business Combinations continued

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 net assets acquired, 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 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 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.

1 Summary of Significant Accounting Policies continued

(d) Income Tax continued

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.

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.

(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

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%

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. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(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.

1 Summary of Significant Accounting Policies continued

(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.

(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.

1 Summary of Significant Accounting Policies continued

(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 Group'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.

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.

1 Summary of Significant Accounting Policies continued

Cash flow hedges

Where the risk management plan is to reduce 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.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting during the next reporting period;

1 Summary of Significant Accounting Policies continued

Financial guarantees continued

– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and

– the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised in accordance with AASB 118.

(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 joint ventures 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 of disposal 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.

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.

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 only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the projects which are between 5 years.

Impairment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. to determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

1 Summary of Significant Accounting Policies continued

(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.

1 Summary of Significant Accounting Policies continued

(k) 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 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 Group 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 9.5% 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.

(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.

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 Group 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

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

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).

1 Summary of Significant Accounting Policies continued

(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.

(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.

1 Summary of Significant Accounting Policies continued

(t) Critical Accounting Estimates and Judgments

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

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

Key estimates - 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 25.

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.

(u) New Accounting Standards and Interpretations

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

Notes to the Financial Statements
For the Year Ended 30 June 2015

1 Summary of Significant Accounting Policies continued

(u) New Accounting Standards and Interpretations continued

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Notes to the Financial Statements
For the Year Ended 30 June 2015

2 Revenue and Other Income

	2015 $	2014 $
Sales revenue		
- sale of goods	**8,983,064**	5,649,253
- provision of services	**897,557**	1,217,272
	9,880,621	6,866,525
Finance income		
- other interest received	**75,739**	61,933
	75,739	61,933
Other revenue		
- adjustment of earnout balance payable	**-**	150,000
	75,739	211,933
Total Revenue	**9,956,360**	7,078,458

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

3 Result for the Year

	2015 $	2014 $
The result for the year includes the following specific expenses:		
Salaries and wages	**2,951,233**	2,951,986
Superannuation contributions	**263,174**	255,960
Depreciation and amortisation expense comprises:		
- Depreciation - plant and equipment	**46,743**	31,510
- Amortisation - intellectual property	**135,001**	135,001
- Amortisation - development costs	**44,047**	11,213
	225,791	177,724
Impairment		
Impairment of Goodwill	**650,000**	370,000
Other Expenses:		
Accounting fees	**110,492**	97,237
Consulting and professional fees	**169,120**	111,989
Electricity and water	**40,131**	32,922
Filing fees	**65,539**	63,473
Insurance	**106,745**	102,168
Rent expense	**193,739**	184,679
Licence fees	**47,850**	27,745
Communications expense	**45,476**	40,962
Travel and accommodation	**135,586**	189,618
Other expenses	**338,650**	384,281
	1,253,328	1,235,074

Research and Development Expenses

Research costs of $558,121 are included in the total expenses for the Group and include salaries and wages and on-costs. Research and development costs for 2014 of $467,310 are included in the total expenses for the Group and include salaries and wages and on-costs.

Development costs for Intersect Alliance for 2015 of $335,468 (2014 of $213,171) have been capitalised and shown in the statement of financial position as an intangible asset.

Notes to the Financial Statements

For the Year Ended 30 June 2015

4 Income Tax Expense

	2015 $	2014 $
(a) The major components of tax expense (income) comprise:		
Current tax expense	**896,542**	263,140
Deferred tax expense	**172,789**	147,690
Total income tax expense	**1,069,331**	410,830
(b) Reconciliation of income tax to accounting profit:		
Profit	**3,447,811**	1,317,678
Tax	**30%**	30%
	1,034,343	395,303
Add:		
Tax effect of:		
- non-deductible depreciation and amortisation	**40,422**	40,500
- goodwill impairment	**195,000**	111,000
- non-deductible expenses	**192**	761
- tax losses not recognised	**66,244**	-
	1,336,201	547,564
Less:		
Tax effect of:		
- other	**266,870**	40,652
Recoupment of prior year tax losses not previously brought to account	**-**	96,082
Income tax expense	**1,069,331**	410,830
Weighted average effective tax rate	**31%**	31%

The increase in the weighted average effective consolidated tax rate for 2015 is a result of the impairment of goodwill.

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

	2015 $	2014 $
Timing differences on unrealised foreign exchange gains/(losses)	**252,538**	(17,429)

5 Key Management Personnel Disclosures

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

	2015 $	2014 $
Short-term employee benefits	**882,210**	777,707
Post-employment benefits	**76,058**	76,060
	958,268	853,767

Notes to the Financial Statements

For the Year Ended 30 June 2015

		2015 $	2014 $
6	**Remuneration of Auditors**		
	Remuneration of the auditor of the parent entity, Grant Thornton, for:		
	- auditing or reviewing the financial statements	**65,500**	63,500
	- taxation services	**25,044**	39,058
	Remuneration of other auditors of subsidiaries for:		
	- auditing or reviewing the financial statements of subsidiaries	**11,326**	10,624
	Total	**101,870**	113,182

		2015 $	2014 $
7	**Dividends**		
	a.The following dividends were declared and paid:		
	Interim fully franked ordinary dividend of 2.0 (2014: 0.0) cents per share paid on 2 April 2015	**1,108,196**	-
	Interim unfranked ordinary dividend of 0.0 (2014: 2.0) cents per share	**-**	1,108,196
	Final unfranked ordinary dividend of 0.75 (2013: 1.5) cents per share paid on 9 October 2014	**415,574**	753,146
	Total	**1,523,770**	1,861,342
	Total dividends per share declared and paid	**2.75**	3.50
	Proposed final 2015 fully franked ordinary dividend of 2.2 cents per share to be paid 8 October 2015	**1,219,015**	-
	Proposed final 2014 unfranked ordinary dividend of 0.75 cents per share	**-**	415,574

The proposed final dividend for 2015 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 2015.

Franking account

	2015	2014
The franking credits available for subsequent financial years at a tax rate of 30%	**788,949**	-

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 522,435 (2014: -).

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

Notes to the Financial Statements
For the Year Ended 30 June 2015

	2015 $	2014 $

8 Earnings per Share

	2015 $	2014 $
(a) Earnings per share for profit from continuing operations		
Profit after income tax	**2,378,480**	906,848
Non-controlling interest	**(44,392)**	-
Profit after income tax attributable to the owners of Prophecy International Holdings Limited	**2,334,088**	**906,848**

(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	**55,409,784**	54,270,058
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**55,409,784**	54,270,058

9 Cash and cash equivalents

	$	$
Cash at bank and in hand	**2,065,920**	4,632,612
Short-term bank deposits	**3,536,892**	36,892
	5,602,812	4,669,504

10 Trade and other receivables

	2015 $	2014 $
CURRENT		
Trade receivables	**2,925,332**	975,828
Accrued revenue	**57,193**	58,364
Other receivables	**236,733**	9,101
Total current trade and other receivables	**3,219,258**	1,043,293
NON-CURRENT		
Deposits	**24**	24
Other receivables	**3,497**	1,380
Total non-current trade and other receivables	**3,521**	1,404

		2015 $	2014 $

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 $
2015							
Trade and other receivables	**3,222,779**	**-**	**327,174**	**42,580**	**12,494**	**131,747**	**2,708,784**
2014							
Trade and other receivables	1,044,697	-	189,198	41,597	57,792	55,791	700,319

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

	Note	2015 $	2014 $
Trade and other receivables			
- total current		**3,219,258**	1,043,293
- total non-current		**3,521**	1,404
Financial assets	30	**3,222,779**	1,044,697

11 Inventories

	2015 $	2014 $
At cost:		
Work in progress	**85,524**	46,761

Notes to the Financial Statements

For the Year Ended 30 June 2015

12 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2015	Percentage Owned (%)* 2014
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.

Significant judgements and assumptions

The Group holds 93.1% of the ordinary shares and voting rights in Prophecy Americas Inc. One other investor holds 6.9%.

Management has reassessed its involvement in Prophecy Americas' Inc in accordance with AASB 10's revised control definition and guidance. It has concluded that they have control over Prophecy Americas' Inc. In making its judgement, management considered the Group's voting rights, the relative size and dispersion of the voting rights held by the other shareholder and the extent of recent participation by this shareholder in general meetings.

Notes to the Financial Statements
For the Year Ended 30 June 2015

	2015 $	2014 $
13 Property, plant and equipment		
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	**325,184**	603,582
Accumulated depreciation	**(206,064)**	(508,570)
Total plant and equipment	**119,120**	95,012
Furniture, fixtures and fittings		
At cost	**194,870**	243,701
Accumulated depreciation	**(135,227)**	(207,880)
Total furniture, fixtures and fittings	**59,643**	35,821
Total property, plant and equipment	**178,763**	130,833

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 2015			
Balance at the beginning of year	**95,012**	**35,821**	**130,833**
Additions	**70,535**	**58,427**	**128,962**
Disposals - written down value	**(6,532)**	**(28,522)**	**(35,054)**
Depreciation expense	**(40,658)**	**(6,085)**	**(46,743)**
Foreign exchange movements	**763**	**2**	**765**
Balance at the end of the year	**119,120**	**59,643**	**178,763**

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

Notes to the Financial Statements
For the Year Ended 30 June 2015

14 Intangible Assets

	2015 $	2014 $
Goodwill		
Cost	**3,146,815**	3,146,815
Accumulated impairment losses	**(1,020,000)**	(370,000)
Net carrying value	**2,126,815**	2,776,815
Patents, trademarks and other rights		
Cost	**1,364,132**	1,364,132
Accumulated amortisation and impairment	**(1,001,455)**	(866,455)
Net carrying value	**362,677**	497,677
Development costs		
Cost	**548,639**	213,171
Accumulated amortisation and impairment	**(55,260)**	(11,213)
Net carrying value	**493,379**	201,958
Total Intangibles	**2,982,871**	3,476,450

Movements in carrying amounts of intangible assets

	Intellectual property - at cost $	Goodwill - at cost $	Development costs $	Total $
Year ended 30 June 2015				
Balance at the beginning of the year	**497,677**	**2,776,815**	**201,958**	**3,476,450**
Additions	**-**	**-**	**335,468**	**335,468**
Amortisation	**(135,000)**	**-**	**(44,047)**	**(179,047)**
Impairment of goodwill	**-**	**(650,000)**	**-**	**(650,000)**
Closing value at 30 June 2015	**362,677**	**2,126,815**	**493,379**	**2,982,871**

	Intellectual property - at cost $	Goodwill - at cost $	Development costs $	Total $
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

Notes to the Financial Statements
For the Year Ended 30 June 2015

		2015 $	2014 $

14 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 $44,110 (2014: $77,679) relates to copyright in Promadis Ltd's Forensic Science LIMS and Cardiology products. These products have a remaining amortisation period of 1.5 years.

Intellectual property with a carrying value of $318,567 (2014: $419,998) relates to copyright in Intersect Alliance International Pty Ltd's software products. These products have a remaining amortisation period of approximately 3 years.

Goodwill with a carrying value of $2,126,815 (2014: $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

The remaining Goodwill of $650,000 (as at 30 June 2014) allocated to the Promadis Pty Ltd segment has been fully impaired during the year ended 30 June 2015. This impairment has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

15 Other non-financial assets

		2015 $	2014 $
Prepayments		**158,965**	62,304

16 Trade and other payables

		2015 $	2014 $
Unsecured liabilities			
Trade payables		**98,750**	61,665
Sundry payables and accrued expenses		**623,053**	225,151
Other payables		**2,659**	2,656
		724,462	289,472

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

		2015 $	2014 $
Trade and other payables:			
- total current		**724,462**	289,472
Financial liabilities as trade and other payables	30	**724,462**	289,472

17 Other Financial Liabilities

		2015 $	2014 $
Deferred income		**1,800,139**	1,027,601

18 Employee Benefits

		2015 $	2014 $
Current liabilities			
Long service leave		**488,242**	459,400
Annual leave		**307,662**	246,278
		795,904	705,678
Non-current liabilities			
Long service leave		**30,648**	31,817

Notes to the Financial Statements

For the Year Ended 30 June 2015

	2015 $	2014 $
19 Issued Capital		
55,409,784 (2014: 55,409,784) Ordinary shares	**18,959,464**	18,959,464

(a) Ordinary shares

	2015 No.	2014 No.
At the beginning of the reporting period	**55,409,784**	50,209,784
Shares issued during the year	**-**	5,200,000
At the end of the reporting period	**55,409,784**	55,409,784

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.

20 Capital and Leasing Commitments

	2015 $	2014 $
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	**200,662**	184,021
- between one year and five years	**526,234**	16,803
	726,896	200,824

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

The Adelaide lease terminates on 30 June 2020.

The Brisbane premises are subject to a 12 month tenancy, terminating on 23 March 2016.

Prophecy Americas' Inc. has entered into 2 short term leases, terminating on 30 November 2015.

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

Notes to the Financial Statements
For the Year Ended 30 June 2015

	2015 $	2014 $

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 $87,280 (2014: $26,982).

Details of leases can be found in Note 20. 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 Cash Flow Information

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

	2015 $	2014 $
Profit for the year	**2,378,480**	906,848
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- loss on disposal of plant and equipment	**35,054**	-
- depreciation and amortisation	**225,790**	177,724
- impairment of goodwill	**650,000**	370,000
- foreign exchange (gain)/loss	**(408,148)**	117,609
- foreign exchange differences arising on translation of foreign subsidiaries	**242,832**	(6,541)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	**(2,178,082)**	332,665
- (increase)/decrease in inventories	**(38,763)**	(35,753)
- (increase)/decrease in deferred tax receivable	**233,897**	77,466
- (increase)/decrease in other assets	**(96,661)**	(8,948)
- increase/(decrease) in income in advance	**772,538**	142,505
- increase/(decrease) in trade and other payables	**434,992**	(189,076)
- increase/(decrease) in income taxes payable	**347,673**	291,589
- increase/(decrease) in deferred taxes payable	**179,380**	39,115
- increase/(decrease) in employee benefits	**89,057**	(62,429)
Cashflow from operations	**2,868,039**	2,152,774

(b) Credit standby arrangements with banks

	2015 $	2014 $
Credit facility	**20,000**	20,000
Amount utilised	**(3,516)**	(453)
	16,484	19,547

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.

23 Events Occurring After the Reporting Date

On 5 August 2015, the group acquired 100% of the shares in eMite Pty Ltd.

The eMite product set provides a service intelligence platform which combines analytics, correlations, capacity, performance, availability and SLA management in a single out-of-the-box solution.

The financial effects of this transaction have not been brought to account as at 30 June 2015. The operating results, assets and liabilities of the entity will be consolidated from 1 July 2015.

The cost of the acquisition includes the components stated below. The purchase price was settled in shares and cash.

Consideration	
Equity shares	**6,300,000**
Cash	**$8,000,000**

In addition, an earnout formula is payable, relating to future profits in excess of set targets and the share price over a 12 month period. Potential earnout payments are as follows:

- 1 April 2016 $2,000,000
- 1 August 2016 857,142 Shares

At this time the fair value of the assets and liabilities at the date of acquisition has not yet been determined.

Except for the above, no other 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.

24 Reserves and retained surplus

(a) Foreign currency translation reserve

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

(b) Share option reserve

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

Notes to the Financial Statements
For the Year Ended 30 June 2015

	2015 $	2014 $
25 Tax		
Current Tax Liability		
Income tax payable	**637,434**	289,761
Recognised deferred tax assets and liabilities		
Deferred tax assets	**375,258**	609,155
Deferred tax liabilities	**272,809**	93,429

	Opening Balance $	Charged to Income $	Charged directly to Equity $	Closing Balance $
Deferred tax assets				
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
Property, plant and equipment				
- tax allowance	**568**	**1,393**	**-**	**1,961**
Provisions - employee benefits	**213,986**	**20,587**	**-**	**234,573**
Unrealised foreign exchange	**191,653**	**(12,815)**	**(252,538)**	**(73,700)**
Accruals	**103,126**	**(2,135)**	**-**	**100,991**
Deferred tax assets attributable to tax losses	**98,053**	**12,053**	**-**	**110,106**
s40-880 deduction	**1,769**	**(442)**		**1,327**
Balance at 30 June 2015	**609,155**	**18,641**	**(252,538)**	**375,258**
Deferred tax liability				
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
Work in progress	**17,433**	**11,278**	**-**	**28,711**
Prepayments	**1,009**	**1,323**	**-**	**2,332**
Other current assets	**74,412**	**92,990**	**-**	**167,402**
Unrealised foreign currency gains	**575**	**73,786**	**-**	**74,361**
Balance at 30 June 2015	**93,429**	**179,377**	**-**	**272,806**

25 Tax continued

Unrecognised deferred tax assets

	2015 $	2014 $
Deferred tax assets have not been recognised in respect of the following:		
Tax losses	**4,173,699**	3,860,663

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.

26 Company Details

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

Prophecy International Holdings Limited and Controlled Entities
Level 1
76 Waymouth Street
Adelaide SA 5000