

2014

2015

annual report



Prophecy **International Holdings Limited**

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Corporate Directory

30 June 2015

Prophecy International Holdings Ltd

ACN 079 971 618
ABN 16 079 971 618

Directors

Edwin Reynolds
Anthony P Weber
Leanne R Challans
Matthew T Michalewicz
Grant R Miles

Company Secretary

Grant R Miles

Registered Office

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

Brisbane Office

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Telephone + 61 7 3849 5811
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Subsidiaries

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Telephone: +1 303 846 3044
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Prophecy Europe Ltd

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United Kingdom

Promadis Pty Ltd

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

Intersect Alliance International Pty Ltd

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

eMite Pty Ltd

Level 5, 220 George Street
Sydney, NSW 2000
Australia
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Solicitors

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

Bankers

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

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

Corporate Governance Statement

http://www.prophecyinternational.com/attachments/Corporate_Governance_2015.pdf

basis2, ProphecyOpen, Prophecy, Prophecy Object Framework, Promadis BDM, Promadis Forensic Science, Promadis Cardiology, Promadis BMS, Snare are trademarks of Prophecy International Holdings Ltd. and its subsidiaries. All other company and product names may be trademarks of their respective owner

Company Profile

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Prophecy has built a strong reputation for its innovative technical and business software solutions and has established offices in Australia and the United States. These offices are also the support hubs for our network of business partners. Prophecy software has been deployed at over 1000 sites in areas such as Australia, New Zealand, Asia, USA, the Caribbean, Britain, Europe and South Africa.

PRODUCT SET

Our product set includes SNARE, eMite, basis2, e-foundation and Promadis, all of which are quality, market driven products, built using the latest technologies by highly skilled staff.

SNARE

SNARE (System iNtrusion Analysis and Reporting Environment) is a very important part of an overall IT systems security strategy for all types of commercial and public sector organisations. Many thousands of organisations including Fortune 500, government agencies, multinational businesses and highly sensitive sites around the world rely on Snare every second of every day as the platform of choice for audit, collection, analysis, reporting, management and archival of event information.

SNARE is a comprehensive set of event monitoring and analysis tools designed to address complex and mission critical auditing requirements. It comprises two separate yet complementary components; the Snare Server and the Snare Agents. While both can run independently of each other, together they provide a complete solution to auditing, managing and protecting your IT systems and data.

The SNARE Server collects events and logs from operating systems, applications, devices and from any other type of event-generating system. It provides a platform for powerful drill-down analysis and centralised log management in a format that is easy to use and navigate. Snare's growing and dynamic set of event analysis reports, coupled with effective query capabilities, provide regulatory compliance options, while managing network and environment defences.

The SNARE Enterprise Agents define the security relevant events for collection. SNARE agents are the industry standard for logging and can forward events to a SNARE Server, Syslog server or another proprietary SIEM server.

SNARE is a well established solution with an impressive reference list. It has worldwide market potential that Prophecy has been exploiting. Cyber security is an area of ever growing importance and the SNARE product provides protection with a range of agents which are efficient, stable, reliable and easy to use.

eMITE

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. Service Intelligence is an evolutionary step forward from Business Service Management and leverages the investments in existing platforms such as Microsoft SCOM, IBM Tivoli, HP SM7, HP BAC and BMC Remedy. It also offers a wide range of eMite agents that onboard metrics directly from applications, infrastructure, log files, spreadsheets in addition to many other mature monitoring solutions. eMite's analytics capabilities are implemented using a metric correlation engine and the standard eMite cube, and are designed to answer common operational, performance and planning questions.

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. The combined revenue and profit projections for 2016 push our growth along at a rapid rate to further capitalise on excellent growth achieved in this year.

Enterprise Management Associates (EMA) views eMite as being among the leading providers in Advanced Operational Analytics. EMA believes that within one to three years eMite will emerge from being a relative unknown within the USA and European markets to a highly visible catalyst in the evolution of BSM impact technologies. eMite was ranked by Gartner

Company Profile

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among the TOP 2 PRODUCTS in its evaluation of tools covering Critical Capabilities for Infrastructure & Operations Business Value Dashboards (IOBVD). That is a fantastic achievement for the eMite product. In late 2014, the CIO Review Magazine selected eMite in the top most promising technology companies in the USA for 2014. That followed the selection of eMite as the "Company of the Month" in July 2014.

Current eMite customers include Allianz, UBS, HP, BOQ Finance, Cuscal, CSC, ASB, CBA, Cognizant, gen-i, QBE, ANZ, Toyota Financial Services, Onepath, NSW Office of State Revenue, NSW Transport Roads and Traffic Authority, Alphawest, Government of South Australia, CUA, SAI Global, and Westernpower.

eMite provides 'Business Intelligence Analytics software' to enterprise customers. Its products enable all businesses to make the right real time decisions by providing intuitive representation of real time data from any system in their company based on an easy to deploy, simply scalable BI system with top class analytics in a user adjustable interface.

basis2 suite of billing and customer information systems (CIS) for utilities

Function-rich and flexible enough for all regulated, transitioning and deregulated markets, basis2 allows companies to successfully compete in this evolving industry. basis2 is more than a Customer Information System, it is a solution that records, manages and reports on the most important activities within an organisation – those involving customers. Because of the depth of information recorded within the system and the ease with which it can be accessed, basis2 allows exceptional customer service at a lower cost of delivery. A key IT objective for a Utility Customer Services operation is to ensure that systems are capable of delivering users an holistic view of a customer's interaction with the utility – both current and historic. The subsequent business benefits can be very significant. The basis2 suite is specifically designed to support this objective.

The flexibility of basis2 enables it to be used for any metered, value or time measured product or service, therefore it is not limited to use only within the utilities industry. It can also be used by organisations such as councils and universities, needing to bill customers for a range of products and services. Prophecy has over 14 years experience in the utilities industry and a comprehensive understanding of the way utility companies work. basis2 has been developed in and for the Oracle RDBMS (Relational Database Management System) and Application Server technology, the single most commonly-used database and enterprise platform. The Oracle environment was used specifically to capitalise on the power and 'future-proofing' capabilities offered by this world leading technology. In addition to being developed in Oracle, basis2 also integrates with the Oracle E-Business Suite. The integration allows Oracle E-Business Suite and basis2 to seamlessly provide information critical to utility customers.

e-Foundation Prophecy enterprise software solutions

Our e-Foundation product suite provides organisations with a fully tailored, affordable, enterprise-wide solution. It delivers Internet technologies for logistics, e-commerce and back office applications and it enables large and middle market organisations to build and deploy web software applications in record time.

e-Foundation includes:

- **Prophecy Framework**
A rapid application assembly tool that offers fast to market solutions.
- **Prophecy Business Applications**
Financials, Procurement, Distribution and Asset Management modules for medium to large organisations that require enterprise-wide solutions.

Company Profile

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Promadis BDM for Civil Registries

Everyone is touched by the vital record management function of a Registry Office, whether as a result of their own family genealogy (birth, marriage or death records) or through the decisions made as a result of the accumulated population statistics.

No matter the use, the need for accurate, reliable and efficient keeping of vital records in the Registry is essential both in fulfilling legislative obligations as well as minimising the budgets associated with running the Registry. New social and government considerations including National Security also increase the demand for delivering new and relevant information services such that BDM systems must be flexible and powerful to suit the constantly changing needs of the Office. As a cornerstone of “proof of identity”, vital records and the verification of certificate information are a vital part of the framework of our society and our security. A centralised, secure, fast, reliable, efficient, feature rich and cost-effective software solution is essential to deliver services.

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Message from the Chairman

30 June 2015

Dear Fellow Shareholder,

The 2014-2015 year has been completed with an underlying normalised profit before tax of \$4.10 million compared with \$1.69 million before tax last year. This is a most pleasing result, driven largely by our excellent growth in SNARE sales. The Board has taken up a cost of \$0.65 million in the form of an impairment of goodwill against the Legacy business as set out in the notes to the accounts, reducing the profit before tax to \$3.45 million. This impairment is a non cash item and therefore has no effect on the cash position of the company.

Revenues for the full year were up strongly to \$10.0 million from \$7.1 million previously. Our Intersect Alliance (SNARE) business again showed the strongest growth with a total revenue increase of 127% and a 250% increase in new sales invoiced during the year. Sales activity for the SNARE division remains very strong with a record fourth quarter to complete the year and continued strong sales into the start of FY16.

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.

Dividends paid out in the year amounted to \$1.52 million, down from \$1.86 million in the previous year. A final dividend of 2.2c per share has been declared to complete the year, bringing the full year dividend to 4.2 cents per share, fully franked. The last 9 years have seen dividends totalling 27.45 cents per share. With the expected profit increase in this year, dividends are expected to grow and remain fully franked.

Prophecy maintains a very strong balance sheet with no debt, healthy cash on hand and valuable intellectual property assets.

Prophecy runs the following key business units:

- **Intersect Alliance (SNARE)**

The Intersect Alliance business revolves around the SNARE product set, which provides software solutions in the IT security market. The SNARE solution has a very strong reputation with worldwide recognition through many well known government and large corporate users. Its sales model incorporates a larger number of smaller sales leading to smoother revenue and profit flows. Prophecy has continued to invest in both additional sales, marketing and development resources to allow this business to grow its invoiced new sales by 250% in the year. As a result, total SNARE revenues grew by 127%, providing a record year for SNARE.

In our view, the SNARE product set still has tremendous growth opportunities which we plan to exploit during the 2015-16 year. It continues to be an very exciting business with tremendous potential going forward. Partnerships will be a big part of our growth for the coming year and the first major partner in Dell comes online in early FY16 to provide a boost in potential new sales. Additional initiatives are in focus to expand our partner base for FY16 to supplement the growth that continues to be made from direct sales.

- **eMite**

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.

The eMite acquisition adds a very exciting new product set that has a similar growth potential to the SNARE products. The combined growth of the SNARE and eMite products is forecast to double Prophecy revenues to \$20 million in the 2015-16 year providing excellent company growth.

Message from the Chairman

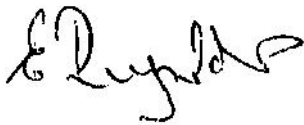
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- **Legacy offerings: basis2 Promadis, Prophecy Classic, ProphecyOpen and e-Foundation**

Prophecy continues to support its traditional customers utilising one or more of its Legacy products, providing stable and secure solutions that continue to endure. Maintenance of each of these systems will continue as long as there is customer demand, but revenues are expected to decline in this area over time.

The Board focus in this new year is to continue the very strong growth of SNARE product sales, along with similar strong growth for the newly acquired eMite software, such that the target is a doubling of existing revenues and profit. Resources continue to be invested in a major marketing push together with additional sales resources and an emphasis on new partnerships for sales growth.

Thank you to all the staff that have worked together to achieve an excellent result for 2014-15 and we all look forward to an even brighter current year.

A handwritten signature in black ink, appearing to read 'Ed Reynolds', with a stylized flourish at the end.

Ed Reynolds
Chairman

Directors' Report

30 June 2015

The directors present their report, together with the financial statements of the Group, being Prophecy International Holdings Limited and Controlled Entities (the Company) and its controlled entities, for the financial year ended 30 June 2015.

1. General information

Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

Ed Reynolds

Qualifications

Bachelor of Science

Experience

Ed was appointed Non-executive Chairman on 8th December 2006. He has held various positions within the IT industry, which has given him wide-ranging and extensive experience. Ed joined Prophecy as general manager in 1987 and contributed to the company in various roles, including CEO. In his current Non-Executive role, Ed is passionate about ensuring the company achieves its targets and is on track to deliver future success.

Interest in shares and options

7,500,000 ordinary shares in Prophecy International Holdings Limited and no options

Special responsibilities

Chairman of the Board of Directors
Chair of the Strategy Committee
Member of the Remuneration Committee
Member of the Audit Committee

Other current directorships in listed entities

None

Other directorships in listed entities held in the previous three years

None

Anthony P (Tony) Weber

Qualifications

FCPA, FCIS

Experience

Tony has been an active member of the Prophecy Board throughout the past 17 years. He has extensive experience in the IT industry, with a strong focus on finance and general management. Tony's experience with multi-national and public companies provides valuable input and direction to the Prophecy Board. Tony took on the role of Chief Financial Officer and Company Secretary on 19th October 2005. He has since resigned from the Company Secretary role on 21 March 2013 and the Chief Financial Officer on 1 May 2015.

Interest in shares and options

300,000 ordinary shares in Prophecy International Holdings Limited and no options

Special responsibilities

Chair of the Audit Committee
Chair of the Remuneration Committee
Member of the Strategy Committee

Other current directorships in listed entities

None

Other directorships in listed entities held in the previous three years

None

Directors' Report

30 June 2015

1. General information

Information on directors continued

Leanne Challans

Qualifications

Bachelor of Science

Experience

Leanne joined Prophecy in 1990, with a strong background in software design and development. Her initial role was Product Development Manager for the flagship Prophecy Classic product. The growing partner network for classic opened up new opportunities, so Leanne took on responsibility for Partner Support and Marketing through the mid 1990's.

Leanne returned to her strengths in software development in 2000, heading up the successful Emergency Services Levy project, and then managing the development and support of the e-Foundation product suite.

She then moved into the role of General Manager, Software & Services, with responsibility for the ongoing development, support and consulting services relating to all of Prophecy International's product lines. Leanne joined the Board of Directors in December 2006, and was appointed Managing Director in July 2007.

The acquisition of Intersect Alliance International in August 2011 saw Leanne take on responsibility for the inclusion of this new company into the Prophecy culture, with a focus on growth in this important new part of the group.

Interest in shares and options

774,880 ordinary shares in Prophecy International Limited and no options

Special responsibilities

Managing Director

Other current directorships in listed entities

None

Other directorships in listed entities held in the previous three years

None

Matthew Michalewicz

Qualifications

Bachelor of Science

Experience

Matthew is an international expert in entrepreneurship, innovation, and success psychology. He has a 20-year track record of starting, growing, and exiting high growth businesses in the United States and Australia. His last venture, SolveIT Software, grew to become Australia's 3rd fastest growing company before being acquired by Schneider Electric in 2012. In addition to being the author of several books – including Life in Half a Second, Winning Credibility, Adaptive Business Intelligence, and Puzzle-based Learning – Matthew is also a Visiting Fellow at the University of Adelaide where he lectures on the subject of technology commercialisation, and a Limited Partner in Blackbird Ventures, an Australian early-stage venture capital fund.

Interest in shares and options

None

Special responsibilities

None

Other current directorships in listed entities

None

Other directorships in listed entities held in the previous three years

None

Directors' Report

30 June 2015

1. General information

Information on directors continued

Grant R Miles

Qualifications

Bachelor of Arts in Accountancy
Chartered Accountant – Fellow (FCA)

Experience

Grant is the Managing Partner of Hayes Knight (SA) and (NT), and Chairman of the Hayes Knight National Board.
Grant was appointed Company Secretary of Prophecy in 2013 and a Director in 2015. Grant has over 25 years experience in Finance and Accounting matters and provides the Prophecy Board with strong skills in this area.

Interest in shares and options

150,000 ordinary shares in Prophecy International Holdings Limited and no options.

Special responsibilities

Chief Financial Officer

Other current directorships in listed entities

None

Other directorships in listed entities held in the previous three years

None

Date Appointed

1 May 2015

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Directors' Report

30 June 2015

1. General information continued

Principal activities and significant changes in nature of activities

The principal activities of the Group during the financial year were the design, development and marketing of computer software applications and services aimed at the worldwide corporate marketplace.

There were no significant changes in the nature of the Group's principal activities during the financial year.

2. Operating results and review of operations for the year

Operating results

The consolidated profit of the Group amounted to \$2,378,480, after providing for income tax. This represented a 162% increase on the results reported for the year ended 30 June 2014. The significant improvement was largely due to strong growth in the SNARE business.

Review of operations

A review of the operations of the Group during the financial year and the results of those operations is set out in the section headed "Message from the Chairman" in this report.

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

Dividends paid or recommended

Interim fully franked ordinary dividend of 2.0 cents per share paid on 2 April 2015	\$ 1,108,196
Final fully franked ordinary dividend of 2.2 cents per share declared on 17 September 2015 to be paid on 8 October 2015	\$ 1,219,015
2014 final unfranked dividend declared in the prior year, paid on 9 October 2014	\$ 415,574

Events after the end of the reporting period

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

Directors' Report**30 June 2015****3. Other items continued****Events after the end of the reporting period continued**

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.

Future developments and results

Comments on the company's future direction are included in the section headed "Message from the Chairman" of this report.

Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia

Company secretary

The following person held the position of Company secretary at the end of the financial year:

Grant R Miles has been the company secretary since 21 March 2013. Grant R Miles is the Managing Partner of Hayes Knight, SA & NT.

Meetings of directors

During the financial year, 33 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee		Strategy Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Ed Reynolds	11	11	2	2	10	10	10	10
Anthony P (Tony) Weber	11	11	2	2	10	10	10	10
Leanne R Challans	11	11	2	2	-	-	-	-
Matthew T Michalewicz	11	9	-	-	-	-	-	-
Grant R Miles	2	2	2	2				

Unissued shares under option

There are no unissued ordinary shares of Prophecy International Holdings Limited under option at the date of this report.

Shares issued during or since the end of the year as a result of exercise

There were no shares issued during or since the end of the year as a result of exercise.

Directors' Report

30 June 2015

3. Other items continued

Indemnification and insurance of officers and auditors

In the financial year, the company has paid premiums of \$53,259 in respect of a contract of insurance for all the Directors and Officers of Prophecy International Holdings Limited and its controlled entities against any liability incurred in their roles as Directors or Officers of the company or its controlled entities, except where:

- the liability arises out of conduct involving a wilful breach of duty; or
- there has been a contravention of Section 199(C) of the Corporations Act 2001.

Non-audit services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2015:

	2015	2014
	\$	\$
Taxation services	25,044	39,058

Remuneration report (audited)

Remuneration policy

The remuneration policy of Prophecy International Holdings Limited and Controlled Entities has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Prophecy International Holdings Limited and Controlled Entities believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the directors and other senior executives, was developed by the Remuneration Committee and approved by the Board.
- All executives receive a base salary (which is based on factors such as responsibilities and experience), superannuation, fringe benefits, options and performance incentives. The Remuneration Committee reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value.

Directors' Report

30 June 2015

3. Other items continued

Remuneration report continued

- All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.
- Executives are also entitled to participate in the employee share and option arrangements.
- The non-executive directors receive superannuation contributions but do not receive any other retirement benefits. Australian based executives receive both superannuation contributions and long service leave benefits.
- All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares issued to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using a Black-Scholes methodology.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the company option plans.

As approved by the shareholders at the 2008 Annual General Meeting, the maximum amounts payable to directors is \$240,000. This compares with an actual charge of \$194,167 in the 2014/15 year.

Key management personnel receive a superannuation guarantee contribution required by the law, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Key Management Personnel

Key management personnel are as follows:

Directors

Edwin Reynolds (Appointed 4 September 1997)	Non-executive Chairman
Anthony P Weber (Appointed 24 September 1997)	Non-executive Director
Leanne R Challans (Appointed 8 December 2006)	Managing Director
Matthew T Michalewicz (Appointed 15 May 2014)	Non-executive Director
Grant R Miles (Appointed 1 May 2015)	Non-executive Director

Executives

Peter Barzen (Appointed 1 September 1999)	EVP Sales and Alliances
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There have been no changes to Key Management Personnel after the reporting date and before the date the financial accounts were authorised for issue.

Directors' Report

30 June 2015

3. Other items continued

Remuneration report continued

Relationship between remuneration policy and company performance

As part of each executive's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over, and are mainly related to increases in profit and revenue. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial short-term goals. The level set for each KPI is based on budgeted figures for the Group.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the level of achievement against KPIs. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

The satisfaction of the performance conditions are based on a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility.

The following table shows the gross revenue, profits and dividends for the last five years for the Company, as well as the share prices at the end of the respective financial years.

	2015	2014	2013	2012	2011
	\$	\$	\$	\$	\$
Revenue	9,956,360	7,078,458	6,888,043	6,702,793	4,867,959
Net Profit	2,378,480	906,848	1,268,506	802,282	(9,028)
Share Price at Year-end	1.25	0.43	0.33	0.21	0.19
Dividends Paid (cents)	2.75	3.50	3.00	1.25	1.00

Performance conditions linked to remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to directors and executives to encourage the alignment of personal and shareholder interests.

The company believes that the factors affecting shareholder wealth are linked to the company's trading conditions. The company experienced difficult trading conditions last year due to the global economic crisis.

The board feels that the company has consolidated the move towards increasing shareholder wealth, and that the executive and director remuneration policies in place will help facilitate achievement of this goal.

Employment details of members of key management personnel

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group. The table also illustrates the proportion of remuneration that was performance based and the proportion of remuneration received in the form of options.

		Performance based remuneration		
		Bonus	Shares	Options / rights
		%	%	%
Director				
Leanne Challans	Managing Director	8	-	-
KMP				
Peter Barzen	EVP Sales and Alliances	39	-	-

Directors' Report

30 June 2015

3. Other items continued

Remuneration report continued

Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

The remuneration and other terms of employment for the Managing Director and senior executives are set out in formal service agreements as summarised below.

All service agreements are for an unlimited duration. The agreements for executives may be terminated by giving four weeks notice (except in cases of termination for cause where termination is immediate).

In cases of resignation, no separation payment is made to the executive, except for amounts due and payable up to the date of ceasing employment, including accrued leave entitlements.

Remuneration Consultants

There have been no remuneration consultants used in the period.

Changes in KMP (other than directors)

There have been no KMP changes in the period.

Remuneration details for the year ended 30 June 2015

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group.

Table of benefits and payments

	<u>Short Term</u>			<u>Post Employment</u>	<u>Total</u>	
	cash salary fees	bonus	consulting fees	health care & allowances	pension and superannuation	
2015	\$	\$	\$	\$	\$	
Directors						
Ed Reynolds	39,000	-	103,990	-	3,705	146,695
Anthony P (Tony) Weber	55,000	-	49,064	-	9,886	113,950
Leanne Challans	175,050	15,676	-	-	18,119	208,845
Matthew Michalewicz	55,000	-	16,000	-	-	71,000
Grant R Miles (Appointed – 1 May 2015)	9,167		-	-	-	9,167
KMP						
Peter Barzen	176,097	157,764	-	30,402	44,348	408,611
	509,314	173,440	169,054	30,402	76,058	958,268

The remuneration detailed above for Ed Reynolds includes director's fees of \$75,000 and consulting fees of \$67,990 (2014 – director's fees \$68,500 and consulting fees \$51,054) of which \$103,990 was paid to Reyer Investments Pty Limited, a company in which Ed Reynolds is a director and shareholder.

The remuneration detailed above for Anthony P (Tony) Weber includes director's fees of \$55,000 and consulting fees of \$49,064 which were paid as salary (2014 – director's fees \$52,500 and consulting fees \$68,570).

Grant R Miles director's fees are paid to Hayes Knight (SA) Pty Ltd, a company directed by Grant R Miles.

Directors' Report

30 June 2015

3. Other items continued

Remuneration report continued

Remuneration details for the year ended 30 June 2015 continued

Short term bonus for L R Challans relates to commission payments on licence fee revenue from sales of Intersect Alliance International Pty Ltd products to customers, in accordance with an incentive plan approved on 13th February 2012. The purpose of the incentive is to increase licence fee revenues and so improve shareholder wealth.

Short term bonus for P Barzen relates to commission payments on licence fee revenue from sales of products to customers, in accordance with an incentive plan approved on 18th April 2013. The purpose of the incentive is to increase licence fee revenues and so improve shareholder wealth.

	<u>Short Term</u>				<u>Post Employment</u>	<u>Total</u>
	cash salary fees	bonus	consulting fees	health care & allowances	pension and superannuation	
2014	\$	\$	\$	\$	\$	\$
Directors						
Ed Reynolds	39,000	-	80,554	-	3,608	123,162
Anthony P (Tony) Weber	52,500	-	68,570	-	11,199	132,269
Leanne Challans	171,600	12,264	-	-	17,007	200,871
Matthew Michalewicz (Appointed - 15 May, 2014)	9,167	-	-	-	-	9,167
KMP						
Darren Shaw (Resigned - 19 December, 2013)	87,082	11,453	-	14,091	7,952	120,578
Peter Barzen	142,480	68,350	-	20,596	36,294	267,720
	501,829	92,067	149,124	34,687	76,060	853,767

Securities received that are not performance related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

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

Prophecy International Holdings Limited received more than 92% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2014. The company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Key management personnel options and rights holdings

There are currently no options or rights held by any Directors or key management personnel.

Directors' Report

30 June 2015

3. Other items continued

Remuneration report continued

Key management personnel shareholdings

The number of ordinary shares in Prophecy International Holdings Limited and Controlled Entities held by each key management person of the Group during the financial year is as follows:

	Balance at beginning of year	On exercise of options	Acquisitions	Disposals	Balance at end of year
30 June 2015					
Ed Reynolds	7,250,000	-	250,000	-	7,500,000
Anthony P (Tony) Weber	347,000	-	-	47,000	300,000
Leanne R Challans	774,880	-	-	-	774,880
Matthew T Michalewicz	-	-	-	-	-
Grant R Miles	150,000	-	-	-	150,000
Other KMP					
Peter Barzen	-	-	10,000	-	10,000
	8,521,880		260,000	47,000	8,734,880

Other key management personnel transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Hayes Knight (SA) Pty Ltd, a company directed by Grant Miles, the Company Secretary, provided Company Secretarial and accounting services to the Group of \$47,261 (2014: \$38,210)

End of Remuneration Report

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Directors' Report

30 June 2015

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2015 has been received and can be found on page 20 of the financial report.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Ed Reynolds
Chairman



Leanne Challans
Director

Dated this 17th day of September, 2015



Grant Thornton

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PROPHECY INTERNATIONAL HOLDINGS LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Prophecy International Holdings Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S K Edwards
Partner – Audit & Assurance

Adelaide, 17 September 2015

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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

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2015

2015

		Issued Capital	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
Note		\$	\$	\$	\$	\$	\$
	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)
7	Dividends provided for or paid	-	(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

		Issued Capital	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
7	Dividends provided for or paid	-	(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

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.

The financial report was approved for issue by the Board on the 17th September, 2015.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

1 Summary of Significant Accounting Policies continued

(g) Financial Instruments 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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

1 Summary of Significant Accounting Policies continued

(g) Financial Instruments 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;

Notes to the Financial Statements

For the Year Ended 30 June 2015

1 Summary of Significant Accounting Policies continued

(g) Financial Instruments 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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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).

Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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

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

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

	2015	2014
	\$	\$
3 Result for the Year		
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	338,653	384,281
	1,253,331	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

	2015 \$	2014 \$
4 Income Tax Expense		
(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:		
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:

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

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's Key Management Personnel for the year ended June 2015.

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

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

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		
(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	<u>2,334,088</u>	<u>906,848</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<u>55,409,784</u>	<u>54,270,058</u>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>55,409,784</u>	<u>54,270,058</u>
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
	<u>5,602,812</u>	<u>4,669,504</u>
10 Trade and other receivables		
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	<u>3,219,258</u>	<u>1,043,293</u>
NON-CURRENT		
Deposits	24	24
Other receivables	3,497	1,380
Total non-current trade and other receivables	<u>3,521</u>	<u>1,404</u>

Notes to the Financial Statements

For the Year Ended 30 June 2015

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

Trade and other receivables

- total current	3,219,258	1,043,293
- total non-current	3,521	1,404
Financial assets	3,222,779	1,044,697

11 Inventories

At cost:

Work in progress	85,524	46,761
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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

	2015 \$	2014 \$
14 Intangible Assets		
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		
<p>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.</p> <p>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.</p> <p>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.</p> <p>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</p> <p>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.</p>		
15 Other non-financial assets		
Prepayments	158,965	62,304
16 Trade and other payables		
Unsecured liabilities		
Trade payables	98,750	61,665
Sundry payables and accrued expenses	623,053	225,149
Other payables	2,659	2,656
	724,462	289,470
(a) Financial liabilities at amortised cost classified as trade and other payables		
Trade and other payables:		
- total current	724,462	289,470
Financial liabilities as trade and other payables	724,462	289,470
17 Other Financial Liabilities		
Deferred income	1,800,139	1,027,601
18 Employee Benefits		
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

	No.	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 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

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	225,791	177,724
- impairment of goodwill	650,000	370,000
- foreign exchange (gain)/loss	(408,149)	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

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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

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	1,326	-	2,335
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	179,380	-	272,809

Notes to the Financial Statements

For the Year Ended 30 June 2015

	2015	2014
	\$	\$

25 Tax continued

Unrecognised deferred tax assets

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

Tax losses	4,173,699	3,860,663
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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.

26 Operating Segments

Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. All segments derive revenue from the sale of computer software and associated consulting and maintenance services.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

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

Income tax expense

Income tax expense is calculated based on the segment operating net profit using a notional charge of 30%. The effect of taxable or deductible temporary difference is not included for internal reporting purposes.

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

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

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(b) Segment assets

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

Notes to the Financial Statements

For the Year Ended 30 June 2015

26 Operating Segments continued

(c) Segment liabilities

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

(d) Unallocated items

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2015

26 Operating Segments continued

The operating segments have changed as a result of a change to the internal reports used by the chief decision makers of the group during the year.

Internal reports provided by management to the Board consist of two segments:

- Legacy, and
- SNARE

The 2014 comparative has been updated to reflect the change in operating segments.

(e) Segment performance

	Legacy		SNARE		Total	
REVENUE	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
External sales	3,903,660	4,259,354	5,976,960	2,605,417	9,880,620	6,864,771
Other revenue	69,734	188,871	6,006	24,816	75,740	213,687
Total segment revenue	3,973,394	4,448,225	5,982,966	2,630,233	9,956,360	7,078,458
Segment operating profit	35,995	377,292	3,411,816	940,386	3,447,811	1,317,678
Goodwill impairment	650,000	370,000			650,000	370,000

(f) Segment assets

	Legacy		SNARE		Total	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
Segment assets	35,758,737	31,973,317	3,319,844	2,400,305	39,078,581	34,373,622
- capital expenditure	98,402	33,923	30,560	58,585	128,962	92,508
- intangible assets			548,639	213,171	548,639	213,171

(g) Segment liabilities

	Legacy		SNARE		Total	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
Segment liabilities	26,968,402	31,661,165	1,012,151	512,354	27,980,553	32,173,519

Notes to the Financial Statements

For the Year Ended 30 June 2015

2015
\$

2014
\$

26 Operating Segments continued

(h) Reconciliations

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

Total segment revenue	9,956,360	7,078,458
Total revenue	9,956,360	7,078,458

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

The Board meets on a monthly basis to assess the performance of each segment, net operating profit does not include non-operating revenue and expenses such as dividends, fair value gains and losses.

Segment net operating profit	3,447,811	1,317,678
Income tax expense	(1,069,331)	(410,830)
Total net profit after tax	2,378,480	906,848

Reconciliation of segment assets to the consolidated statement of financial position

Segment operating assets	39,078,581	34,373,622
Intersegment eliminations	(29,829,738)	(28,419,523)
Deferred tax assets	375,258	609,155
Intangible assets	2,982,871	3,476,450
Total assets per the consolidated statement of financial position	12,606,972	10,039,704

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

Segment liabilities	27,980,554	32,173,519
Intersegment eliminations	(24,629,401)	(30,118,953)
Current tax liabilities	637,434	289,761
Deferred tax liabilities	272,809	93,429
Total liabilities per the consolidated statement of financial position	4,261,396	2,437,756

Notes to the Financial Statements

For the Year Ended 30 June 2015

26 Operating Segments continued

(i) Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets are based on the location of the assets.

	2015		2014	
	Revenue	Assets	Revenue	Assets
Australia	3,078,102	8,741,339	3,305,008	8,426,545
United States	5,563,219	3,045,812	2,872,308	721,186
Africa	22,520	-	3,587	-
Europe	1,164,859	819,821	609,440	891,973
Asia	127,660	-	288,115	-
	9,956,360	12,606,972	7,078,458	10,039,704

(j) Major customers

Revenues of approximately \$1,126,757 (2014: \$1,471,765) are derived from 2 (2014: 3) customers in Australia.

Revenues of approximately \$1,512,180 (2014: \$1,561,456) are derived from 3 (2014: 4) customers in the United States of America.

Notes to the Financial Statements

For the Year Ended 30 June 2015

27 Related Parties

(a) The Group's main related parties are as follows:

(i) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 5: Key Management Personnel Disclosures and the remuneration report in the Directors' Report.

Other transactions with KMP and their related entities are shown below.

The consolidated financial statements include the financial statements of Prophecy International Holdings Limited and Controlled Entities and the following subsidiaries:

Name of subsidiary	% ownership interest	% ownership interest
	2015	2014
Promadis Pty Ltd	100.0	100.0
Intersect Alliance International Pty Ltd	100.0	100.0
Prophecy International Pty Ltd as trustee for CSP Unit Trust	100.0	100.0
Prophecy R&D Pty Ltd	100.0	100.0
Prophecy Americas' Inc	93.1	93.1
Prophecy Europe Limited	100.0	100.0

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2015	2014
	\$	\$
The following transactions occurred with related parties:		
Hayes Knight (SA) Pty Ltd, a company directed by Grant R Miles, the Company Secretary, provided Company Secretarial and accounting services to the Group. Directors Fees of \$9,167 for Grant R Miles were paid to Hayes Knight (SA) Pty Ltd as stated in the Remuneration Report included in the Directors' Report.	47,261	38,210

28 Financial Risk Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and equity price risk.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Notes to the Financial Statements

For the Year Ended 30 June 2015

28 Financial Risk Management continued

	Note	2015 \$	2014 \$
Financial Assets			
Cash and cash equivalents	9	5,602,812	4,669,504
Loans and receivables	10	3,222,779	1,044,697
Total financial assets		8,825,591	5,714,201
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	16	724,462	289,470
Total financial liabilities		724,462	289,470

Financial risk management policies

The Board of Directors has overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Prophecy International Holdings Limited and Controlled Entities does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Mitigation strategies for specific risks faced are described below:

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk, foreign currency risk and equity price risk.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group and arises principally from the Group's receivables.

Notes to the Financial Statements

For the Year Ended 30 June 2015

28 Financial Risk Management continued

(a) Credit risk continued

The group has a material credit risk exposure to the Commonwealth Bank of Australia and National Australia Bank, although the risk of a material loss from this exposure is considered to be very low.

The consolidated group does not hold any collateral in respect of any financial instruments.

There is no provision for impairment of receivables at 30 June 2015 or at 30 June 2014.

Although trade and other receivables are all unrated, no indicators of impairment have been found at 30 June 2015.

The group at present has two types of customers:

The first consists of small to medium organisations that renew their software licences annually. These organisations have been clients for many years and the consolidated group has experienced little bad debt history from these clients.

The second are new licence/service clients who in the main are large government organisations, and it is the consolidated group's policy to subject these organisations to credit verification procedures.

It is the consolidated group's policy to review all outstanding accounts monthly, and any overdue accounts are contacted to ascertain their payment intentions.

(b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- holding only creditor debt;
- no bank overdraft facilities;
- maintain a significant cash balance to offset any downturn in a quarter's trade performance;
- cash balances are spread over a mixture of on-call accounts and bank term deposits to maximise operational flexibility and interest receivable;
- foreign currency receipts are remitted to Australia regularly, converted to Australian dollars and banked in the abovementioned accounts to maximise interest receivable;
- cash flow projections are ascertained from the consolidated group's policy of reviewing all its business operations in detail on a quarterly basis, and the board agreeing the revised profit and cash outlooks for the year, and measuring actual performance against these on a monthly basis.

Notes to the Financial Statements

For the Year Ended 30 June 2015

28 Financial Risk Management continued

(b) Liquidity risk continued

The table/s below reflect maturity analysis for financial assets.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total
	2015	2014	2015	2014	2015	2014	2015
	\$	\$	\$	\$	\$	\$	\$
Financial assets - cash flows realisable							
Cash and cash equivalents	5,602,812	4,669,504	-	-	-	-	5,602,812
Trade, term and loans receivables	3,219,258	1,043,293	3,521	1,404	-	-	3,222,779
Total anticipated outflows	8,822,070	5,712,797	3,521	1,404	-	-	8,825,591
Financial liabilities							
Trade and other payables	724,462	289,470	-	-	-	-	724,462
Total contractual outflows	724,462	289,470	-	-	-	-	724,462

Financial assets pledged as collateral

No financial assets have been pledged as security for any financial liability.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

ii. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in UK pounds, US dollars and Euros may impact on the Group's financial results unless those exposures are appropriately hedged.

Currently there are no hedges in place.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of operations.

Notes to the Financial Statements

For the Year Ended 30 June 2015

28 Financial Risk Management continued

Foreign currency risk sensitivity analysis continued

	Net financial assets /(liabilities) in AUD \$			
	USD	EUR	GBP	Total AUD
	\$	\$	\$	\$
2015				
Consolidated				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	2,123,677	219,236	237,941	2,580,854
	<u>2,123,677</u>	<u>219,236</u>	<u>237,941</u>	<u>2,580,854</u>
Trade and other payables	(27,092)	-	(12,282)	(39,374)
2014				
Consolidated				
Cash and cash equivalents	9	-	-	9
Trade and other receivables	469,530	64,190	102,299	636,019
	<u>469,539</u>	<u>64,190</u>	<u>102,299</u>	<u>636,028</u>
Trade and other payables	9,720	-	10,848	20,568
Forward exchange contracts				

There were no outstanding forward exchange contracts as at 30 June 2015 or 30 June 2014.

Foreign currency risk sensitivity analysis

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Company's financial assets and financial liabilities and the US Dollar – Australian Dollar exchange rate, UK pounds – Australian Dollar exchange rate and the Euro - Australian Dollar exchange rate. There have been no changes in the assumptions calculating this sensitivity from prior years.

The year end rate is 0.77 US dollars, 0.49 UK pounds and 0.69 Euros.

If the Australian Dollar had strengthened and weakened against the US dollar, UK pound and Euro by 10% (30 June 2014: 10%) and 10% (30 June 2014: 10%) respectively then this would have had the following impact:

	2015		2014	
	+10%	-10%	+10%	-10%
USD				
Net results	(102,869)	125,729	(283,580)	346,598
Equity	(188,951)	230,941	(22,975)	28,081
GBP				
Net results	(7,656)	9,358	(2,641)	3,228
Equity	(46,428)	56,745	(23,529)	28,758
Euro				
Net results	(29)	36	(100)	122
Equity	-	-	-	-

Notes to the Financial Statements

For the Year Ended 30 June 2015

28 Financial Risk Management continued

Foreign currency risk sensitivity analysis continued

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to foreign currency risk.

Net fair values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the consolidated statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

	2015		2014	
	Net Carrying Value	Net Fair value	Net Carrying Value	Net Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	5,602,812	5,602,812	4,669,504	4,669,504
Trade and other receivables	3,222,779	3,222,779	1,044,697	1,044,697
Financial assets at fair value through profit or loss:	-	-	-	-
Total financial assets	8,825,591	8,825,591	5,714,201	5,714,201
Financial liabilities				
Trade and other payables	724,462	724,462	289,470	289,470
Total financial liabilities	724,462	724,462	289,470	289,470

29 Parent entity

The following information has been extracted from the books and records of the parent, Prophecy International Holdings Limited and Controlled Entities and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Prophecy International Holdings Limited and Controlled Entities has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

Notes to the Financial Statements

For the Year Ended 30 June 2015

2015	2014
\$	\$

29 Parent entity continued

Tax consolidation legislation

Prophecy International Holdings Limited and Controlled Entities and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

Each entity in the tax consolidated group accounts for their own current and deferred tax amounts. These tax amounts are measured using the 'stand-alone taxpayer' approach to allocation.

Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to the head entity.

Consolidated Statement of Financial Position

Assets

Current assets	6,196,253	6,023,625
Non-current assets	4,149,590	4,150,032
Total Assets	10,345,843	10,173,657
Liabilities		
Current liabilities	6,861,063	5,566,249
Non-current liabilities	635,838	288,459
Total Liabilities	7,496,901	5,854,708
Equity		
Issued capital	18,959,464	18,959,464
Retained earnings	(16,235,347)	(14,765,340)
Share option reserve	124,825	124,825
Total Equity	2,848,942	4,318,949

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Total profit or loss for the year	(46,237)	(31,186)
Total comprehensive income	(46,237)	(31,186)

Guarantees

The parent entity has not entered into any guarantees as at 30 June 2015 or 30 June 2014.

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014.

Contractual commitments

The parent entity did not have any commitments as at 30 June 2015 or 30 June 2014.

Notes to the Financial Statements

For the Year Ended 30 June 2015

30 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

Directors' Declaration

For the Year Ended 30 June 2015

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2015 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Ed Reynolds
Chairman



Leanne Challans
Director

Dated this 17th day of September, 2015



Level 1,
67 Greenhill Rd
Wayville SA 5034

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROPHECY INTERNATIONAL HOLDINGS LIMITED

Report on the financial report

We have audited the accompanying financial report of Prophecy International Holdings Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Prophecy International Holdings Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards



Grant Thornton

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Prophecy International Holdings Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S K Edwards
Partner – Audit & Assurance

Adelaide, 17 September 2015

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Additional Information for Listed Public Companies

30 June 2015

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 17th September 2015.

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Voting rights

Ordinary Shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

Distribution of equity security holders

Holding	Ordinary shares	
	Shares	Options
1 - 1,000	306	0
1,001 - 5,000	521	0
5,001 - 10,000	263	0
10,001 - 100,000	368	0
100,000 and over	60	0
Total	1518	0

There were 64 holders of less than a marketable parcel of ordinary shares.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Additional Information for Listed Public Companies**30 June 2015**

Rank	Twenty Largest Shareholders	Numbers Held	% of Ordinary
1.	REYER INVESTMENTS PTY LTD (SUPER FUND A/C)	7,500,000	11.72%
2.	MICROEQUITIES ASSET MANAGEMENT PTY LTD (MICROEQUITIES NANOCAP 5 A/C)	6,458,434	10.09%
3.	DUNMOORE PTY LTD	6,004,052	9.38%
4.	EQUITAS NOMINEES PTY LIMITED	2,357,167	3.68%
5.	MARIA O'CONNOR + ASSOCIATES PTY LTD	2,229,784	3.48%
6.	CITICORP NOMINEES PTY LIMITED	2,162,091	3.38 %
7.	MR DARREN MATHEW GEROS + MS BELINDA GEROS (GEROS FAMILY A/C)	1,814,989	2.84%
8.	MR STUART CRAIG GEROS + MRS MICHELLE DOROTHY GEROS (THE EMERALD POINT FAM A/C)	1,814,989	2.84%
9.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES P/L (VFA A/C)	1,347,054	2.10%
10.	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,271,470	1.99%
11.	SMOOTHWARE PTY LTD	1,203,230	1.88%
12.	HOLDEN HOLDEN + ASSOCIATES PTY LTD	1,021,875	1.60%
13.	MR MATTHEW FOSTER	900,311	1.41%
14.	FIVE TALENTS LIMITED – NEW ZEALAND	900,000	1.41%
15.	SILVERNINE PTY LTD	805,469	1.26%
16.	CHRISTINE ANN HOLDEN + MR BRIAN PHILIP TOWLER (CHRISTINE HOLDEN S/F A/C)	800,000	1.25%
17.	MRS LEANNE R CHALLANS + MR STEVEN W CHALLANS	774,880	1.21%
18.	DR DEAN ANDARY	692,201	1.08%
19.	CUSTODIAL SERVICES LIMITED (BENEFICIARIES HOLDING A/C)	655,699	1.02%
20.	ANDAMAX INVESTMENTS PTY LTD	637,122	1.00%

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Additional Information for Listed Public Companies

30 June 2015

Substantial Shareholders

Substantial shareholders in the company are set out below:

Name	Ordinary Shares	% held
REYER INVESTMENTS PTY LTD (SUPER FUND A/C)	7,500,000	11.72%
MICROEQUITIES ASSET MANAGEMENT PTY LTD	6,458,434	10.09%
DUNMOORE PTY LTD	6,004,052	9.38%

Other Information

Enquiries from shareholders should be addressed to Prophecy International Holdings Limited on (08) 8213 1200 or the Company's Share Registry, Computershare Investor Services on 1300 55 61 61 from within Australia or +61 3 9415 4000 from outside Australia

Shareholders who have changed their address should advise the Company's Share Registry in writing. Shareholders who do not wish to receive an Annual Report should advise the Company's Share Registry in writing.

Voting Rights

Voting rights attaching to ordinary shares are on a show of hands. Every member present in person or by proxy has one vote, and upon a poll each share shall have one

Unissued equity securities

Options unissued - nil

Securities exchange

The Company is listed on the Australian Securities Exchange.