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PROPHECY

2021 2022 annual report

PROPHECY International Holdings Limited

Corporate Directory
For the Year Ended 30 June 2022

Prophecy International Holdings Ltd
ACN 079 971 618
ABN 16 079 971 618

Directors
Edwin Reynolds
Leanne R Challans
Matthew T Michalewicz
Grant R Miles

Company Secretary
Grant R Miles

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170 Frome Street
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99 Frome Street
Adelaide, South Australia 5000

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Adelaide, South Australia 5000

National Australia Bank
Business Banking Centre
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Adelaide, South Australia 5000

Corporate Governance Statement
http://www.prophecyinternational.com/wp-content/uploads/00-PRO-2022-Corporate-Governance-Statement.pdf

Company Profile
For the Year Ended 30 June 2022

Prophecy is an Australian based global Business-to-Business (B2B) and Business-to-Government (B2G) software company developing innovation for global markets in the SaaS/Cloud, cyber security and big data/analytics markets. The company is headquartered in Adelaide, Australia and has over 100 staff in offices in Sydney Australia, Denver USA, Manila in the Philippines and remote offices in the UK.

Prophecy is listed on the ASX under the PRO code.

Founded in 1980, Prophecy has naturally evolved over time and by acquisition to become a software company focused on data driven solutions to help our customers secure the enterprise, protect from Cyber threats and deliver business insights in the Customer Experience (CX) and Contact/Call Centre markets using business analytics. We believe that you should be able to make better decisions, faster to protect and improve your digital business operations.

Our two primary product offerings in Snare and eMite were acquired in the purchase of the companies that had developed the IP and both are now wholly owned subsidiaries of Prophecy. Snare was acquired through the purchase of Intersect Alliance in 2011 and eMite was acquired in 2015.

Prophecy software has been deployed at more than 4,000 customer sites globally and our continuous re-invention and commitment to product innovation has enabled Prophecy to maintain our position as a trusted vendor within industries such as Banking and Finance, Public Sector, Defence & Military, Healthcare, Utilities, Manufacturing and Retail.

Prophecy sells to global markets with a strong focus on Large Enterprise and Government through our direct sales force in Europe, USA and APAC and through a global network of partners across all our product offerings.

Our customer base includes some of the best-known brand names in the world including many of the Fortune 500.

Snare

Cyber security software can be broadly looked at in two group – permitter security designed to keep the bad actors out, and monitoring solutions to detect the bad actors in the process of a breach or after a breach. Leading industry analyst Forrester categorizes Snare as a Security Analytics platform or a platform that converges logs from network, identity, endpoint, application, and other security relevant sources to generate high-fidelity behavioral alerts and facilitate rapid incident analysis, investigation, and response.

Snare is a monitoring solution designed to help our customers answer the following questions:

“Did someone get in?”

“How did they get in? “

“What did they see/take/change?”

Snare is a suite of software products that enable customers to collect security data from a range of end point devices and cloud-based systems including desktops, servers, network devices, software applications, cloud infrastructure like Azure and other cloud applications like Office 365.

We help customers manage their security policy, store data for forensics and compliance use cases, have a range of simple to use and comprehensive out of the box reports, real time alerting of possible threats.

The product suite includes software agents for desktop, Windows Servers, Linux, Unix, Flat File logs, Syslog devices, MacOS, Applications,

Enterprise tools including fleet and policy management, multipoint reflection, log format parsing, File Integrity and Access Management, Registry Integrity and Access Management & Database Activity Management.

Snare Central is a centre piece of the Snare Solution and can be deployed on premise, in the customer virtual private cloud and in highly secure air-gapped environments.

Company Profile
For the Year Ended 30 June 2022

Snare Central delivers industry leading compression of data to enable long term storage for compliance and forensics, alerting, reporting, analytics, visualizations, centralized management, high availability, custom report building and API connectivity to cloud based log sources.

Snare has been designed for very large and complex environments and offers industry leading scalability and data ingestion.

eMite

eMite is a reporting and analytics solution focused on driving efficiency and improvement in operations and customer engagement from the contact/call centre segment and more broadly the Customer Experience (CX) market segment.

Customer Experience has become one of the few ways companies can differentiate themselves from their competition and the migration to cloud based systems to deliver CX has become an opportunity for our customers to adopt a set of new and more flexible and powerful tools to deliver CX. This has also added challenges as these many tools – including chat, chat bots, CRM, service ticketing, work force management (WFM), transcription, sentiment analysis, survey, IVR and more are siloed and disconnected from a reporting and analytics perspective.

This makes the analysis of the effectiveness of these systems and process and the satisfaction level of your end customer across these applications increasingly difficult.

eMite is a SaaS based solution that can be deployed in hours in either Amazon or Oracle cloud to meet this challenge.

eMite collects and ingests data from multiple data sources and applications, indexes and correlates the data by mapping it together, runs custom KPI and algorithms across the data creating custom metrics; and then visualizes the data in reports, dashboards and wallboards that can be delivered to everyone from an individual contact centre agent to their team leaders, CX Managers and Business Executives.

eMite also deliver both historical trending and sub-second real time data in the same visualizations with a significant amount of industry IP built into the platform enabling industry leading speed to value.

The product suite includes:

- A data ingestion toolset and adaptors to connect to various data sources and API's including software like Genesys Cloud, Amazon Connect, Salesforce, ServiceNow, CSV file s and industry standard databases like SQL and Oracle and many others.
- An indexing platform that correlates and normalizes the data.
- A KPI platform that creates custom KPIs, metrics and measures
- Data visualization layer to enable "no code" dashboard and wall board creation.
- Real time alerting
- Orchestration
- Report Scheduling & sharing

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For the Year Ended 30 June 2022

Letter from the CEO
For the Year Ended 30 June 2022

Dear Shareholders,

I have great pleasure in presenting the FY22 Annual Report for Prophecy International Holdings Ltd. The last year has been a year of records and “firsts” for the company, and we have achieved several significant milestones in our growth journey.

Our vision is to be a globally significant software company based out of Australia with global operations in the domains of Cyber Security and Customer Experience (CX). We continue to focus on delivering organic growth through our key Snare and eMite products. At our heart we are a data company that enables our customers to make better decisions, faster in these two domains.

Strategically we are focussed on the four pillars of product innovation, optimising sales & marketing, operational efficiency and improving the user experience for our own customers.

In FY22 we continued to invest in the global growth opportunities we see, and Prophecy’s staff levels broke through the 100 employee’s barrier for only the second time in the company’s 40+ year history.

FY22 was also a record year for revenue – the group achieved $16.5M in recognised revenue. This marked a significant increase of 28% from FY21 and a new high watermark for the company’s long history. Prophecy has never had revenue at this level previously.

eMite revenue and customer acquisition continues as the market for Cloud CX continues to mature. We now see very large Government and Enterprise customers moving the CX platforms – including their contact centre software – to the cloud.

For eMite, our contact centre analytics solution, revenue and customer acquisition continues to improve as the market for Cloud Customer Experience (CX) continues to mature. We now see very large Government and Enterprise customers moving their CX platforms – including their contact centre software – to the cloud. These industry tailwinds, along with our organic growth initiatives, allowed Prophecy to grow eMite revenue by 59% in the last year, reaching $7.4M in FY22 up from $4.65M in FY21.

In the last year, we created a new option for subscription licensing to sit alongside our existing perpetual license model for Snare. The subscription model has been generally accepted by our new customers and as a result we have grown the subscription base for Snare from effectively zero in FY21 to $2.1M in FY22.

In FY22 we also signed the largest contract ever made by the company, the largest eMite customer and the largest Snare sale since the Company acquired Snare in 2011.

When we began selling eMite to Humana in October 2021, the deal marked the largest ever eMite sale and the largest contract by Prophecy in the company’s history, with a total contract value over three years of $6.057M.

In June of FY22, we also secured Snare’s largest individual sale of over $700,000 to the UK Government through one of our large systems integrator partners.

This sales success in FY22 drove the Company’s annualised recurring revenue (ARR) to new highs, reaching $18.7M which was an annual increase of 74%.

We also successfully raised $7.2M net of costs in October 2021 ensuring that we have sufficient cash to fund our growth investments. We also welcomed a number of new institutional investors to the shareholder register through this exercise.

This year we further increased cash at bank by $2.8M and have been cash flow positive for the year. We continue to have no debt and have increased income in advance to more than $8M.

Our strategies of migrating to subscription licensing, pursuing organic growth across our two lead products globally, aligning with industry ecosystems, leveraging partnerships and sticking with the strategy even during difficult macroeconomic times continues to deliver success for the business.

We are aligned to some very significant multi-year industry trends in cloud migration and have established clear points of competitive advantage for both lead products: through customer experience with eMite, and increasing complexity, risk and regulation in the realms of cybersecurity along with the global shortage for skilled cyber professionals for Snare. Our continued focus on enabling our customers to be successful, and solving the complex challenges that these market segments deliver, underpin Prophecy’s future success.

The business is generating cash, we are pursuing significant growth opportunities and we are investing prudently in addressing those opportunities in sales, marketing and continued product development.

Letter from the CEO
For the Year Ended 30 June 2022

I would like to take this opportunity to thank our management and staff for their efforts over this past year, as well as our directors for their support and guidance. The Company's strategic and operational achievements are a direct result of the significant effort contributed by all of Prophecy's people.

I would also like to thank our loyal customers, suppliers and shareholders for supporting Prophecy through what has been an uncertain period for the global community. We are grateful for their continued backing as we remain focused on executing our growth strategy in FY23 and beyond.

Brad Thomas OAM PLY MAICD
Chief Executive Officer

Review of Operations
For the Year Ended 30 June 2022

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

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

In a year dominated by macro –economic head winds which included; increasing inflation and rising interest rates, a global war for talent and wage increases – especially in technology fields, limited war in Europe, trade sanctions and the lingering effects of the global Covid-19 pandemic, the results achieved are particularly strong.

Financial Highlights

	FY22 Result	YoY % Growth
Revenue	$16.4M	+28%
Invoicing	$20.8M	+54%
Cash Flow	+$2.9M	+781%
Cash at Bank	$13.1M	+239%
Income in Advance	$8.2M	+89%
Debt	Zero	No change
ARR	$18.4M	+71%
NPAT	($1.7M)	+14%
EBITDA	($0.2M)	+75%

Most pleasing is the $3.6M increase in recognised revenue as a result of significantly increased invoicing in FY22.

Leadership

As Prophecy continues to grow its team, the Company is pleased to see a new group of leaders emerge or join us from the industry. In the last year Prophecy added a number of new leadership roles and has promoted a number of current team members to new positions.

We welcomed our new global HR Director, Suzanne Laycock, as well as promoting Stephen Irecki to lead all of our customer operations and product development in a new DevOps role.

Jonathon Boyd from our EMEA team was also promoted to Head of Product Strategy and Innovation for eMite.

Amy Jeschke has joined us from Genesys in North America to lead the US sales effort for eMite with a mandate to grow the sales team to address the opportunity that we have in the market.

Global Operations

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

Our global marketing activity focussed on a defined Target Market and Ideal Customer Profile which empowered us to gain traction and engagement with the largest companies in the world. In the last year, the Company's end customer engagement increased so much that LinkedIn used Prophecy as a case study for the success of digital marketing using LinkedIn and for the use of Sales Navigator.

To reach our global target market we have in the last year modernised our sales and marketing platform to better reach our target customers. We have implemented Pardot for ABM, utilised LinkedIn Sales Navigator along with Deal Hub for CPQ and SPIFF for commission management. All of these tools enable us to be more efficient as a sales organisation, track engagement with our target customers, increase sales productivity and more easily onboard new sales team members as we continue to invest in new sales capacity and capability.

Review of Operations
For the Year Ended 30 June 2022

We are a globally distributed and diverse company with a growing global footprint.

eMite Background

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

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

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

eMite continues to be a Platinum AppFoundry partner for Genesys.

As a product that can be delivered either by SaaS or deployed on-premise we host our SaaS customers globally on both AWS and Oracle Cloud.

eMite Growth

	FY22 Result	% Growth
Revenue	$7.4M	+60%
Sales Growth	$5.6M	+56%
ARR Growth	$12.3M	+60%

North America continues to deliver for eMite with 71% of sales being generated by our NAM team, 18% by EMEA and the remaining 11% by the APAC team from customers mostly in Australia. The Americas number inflated due to a small number of very significant deals like Humana and Airbnb.

eMite Customers

FY22 saw some of eMite’s largest customers come on board, leading to a significant increase in revenue and ARR.

Humana, Airbnb and 1800-Flowers have all been successfully rolled out and are generating revenue in the US. Customer like Sage Group, the Co-op, Centrica, Stellantis and LeasePlan are examples from our growing European business. DHS/Services Australia is the flagship government account for Australia and the Company’s largest government customer globally. DHS runs the largest contact centre in the Southern Hemisphere, with more than 25,000 agents.

eMite was central to the management of the voting by phone initiative at the 2022 Australian Federal Election.

Humana remains Prophecy’s largest ever single sale for an initial term of 3 years, with a minimum commitment of AUD$1.951 million per annum over the contract term. Additional professional services for implementation and configuration valued at $174,000 were included in the agreement, bringing the total contract value to AUD$6.057 million over the initial term. This contract was secured through the Genesys AppFoundry partnership as part of a Genesys transaction. eMite is a Platinum Genesys Appfoundry Partner.

Snare Background

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

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

Review of Operations
For the Year Ended 30 June 2022

Significant new reporting and critical infrastructure security regulation also increases the need for a forensics and reporting platform like Snare. Recent regulation for critical infrastructure in Australia, the United Kingdom and the USA have requirements for reporting in as few as 12 hours after a breach. Additionally the Securities and Exchange Commission (SEC) in the USA has also introduced new cyber reporting regulation for regulated companies that require breach reporting to be substantially enhanced and Snare can play a role in fulfilling these requirements.

Leading industry research firm, Forrester defines a security analytics (SA) as a platform that converges logs from network, identity, endpoint, application, and other security relevant sources to generate high-fidelity behavioural alerts and facilitate rapid incident analysis, investigation, and response. Snare has recently been included by leading industry analysts Forrester in the 2022 Security Analytics landscape reports, listing Snare alongside industry heavy weights like Splunk, IBM and Rapid 7 to name a few.

This last year has been notable for Snare as we successfully launched new subscription-based pricing. This has been well accepted by the market with 44% of sales being subscriptions in Q4. We continue to prefer subscription and expect to see continued growth in annuity-based licensing in FY23.

We continue to prefer subscription and expect to see continued growth in annuity based licensing in FY23. The rise in average deal size and continued shift towards subscription sales for Snare indicates Prophecy's strong competitive position as well as its ability to upsell, with the Company selling over 110 copies of Snare Central in FY22.

In FY22 Snare was sold into 30 countries across 5 continents.

Snare's go to market strategy is both direct and via partners. We have over 3000 customers around the world using Snare. We have partnerships with MSSPs and System Integrators for Snare like Optus, Fujitsu UK and Australia, Novacoast, IBM, Verizon, NTT Security and Telstra as well as specialists in various segments like Vambrace, Frontier, Jeskell and Four Inc in the US defence sector.

Its also important to understand the differentiation between the subscription model for Snare vs eMite as eMite is a full SaaS solution hosted and managed by eMite with the customers gaining access to the software via the subscription. Snare is slightly different as we do offer a subscription or Opex licensing model but we don't host and manage Snare for customers and they generally deploy Snare either in their own on premise environment or in their own private cloud infrastructure. While both products are licensed via subscription only eMite is a full SaaS product and Snare is not. This is because Snare has been designed to operate in highly secure air gapped networks utilised in government and military/defence environments that are not connected to any other network and definitely not connected to the internet.

Snare Growth

	FY 22 Result	% Growth
Revenue	$8.5M	+10%
Sales Growth	$6.7M	+31%
Subscription/ARR Growth	$1.8M	Up from zero in FY21

North America continues to be Snare's most significant market with 64.5% of new sales coming from the Americas, the EMEA market continues to strengthen and represented 31.6% of sales in FY22 with APC providing the remaining 3.9%.

Snare Customers

Snare continues to be focussed on large enterprise and government customers. We continue to successfully secure some of the largest companies and government agencies around the world to the Snare platform.

Large customer sales in FY22 include the UK Government through Fujitsu , encompassing various arms of the UK military, MetLife Insurance, Yum Brands, Worley Parsons, the National Football League (NFL), US Dept of Treasury, AT&T, Chemist Warehouse and the Australian Dept of Defence.

During FY22 Snare again achieved inclusion as part of the Australian Defence Sales Catalogue.

Produced by Australian Military Sales (AMS), the Australian Defence Sales Catalogue showcases selected products and services from Australian defence industry and Australian Defence Force (ADF) surplus equipment available for sale under government-to-government arrangements.

Review of Operations
For the Year Ended 30 June 2022

The role of AMS is to support Australian sovereign capability and military sales programs through the planning and execution of international government-to-government transfer of:

- Australian Defence Organisation material
- Australian-origin sensitive technology
- Products and services of Australian defence industry

Selection for the catalogue by AMS means that Snare's Security Analytics solutions – originally designed for Australian defence and military purposes by ex-defence personnel – passed strict requirements by the Australian Defence Organisation and will join other Australian defence industry companies with world-leading products and services available for sale under government-to-government arrangements.

Contract Model & defining ARR

ARR and subscription models can vary from company to company depending on the markets served and the business model. At Prophecy we focus on Large Enterprise and Government globally and have a consistent model for subscription contracts across both Snare and eMite.

Customers negotiate individual contracts with Snare or eMite regardless of the sales channel that they are executed through. For eMite its generally via Genesys a System Integrator but generally fulfilled through AppFoundry with Genesys counting the number of users and providing the bundled monthly or annual invoice to the customer.

The vast majority of customers sign a term agreement for at least a year but we also have customers signing multi-year commitments for 24, 36 or even 60 months. These agreements are invoiced annually in advance. This is a strong contributor to cash flow as we may not be able to take the revenue to the P&L immediately or even in the same financial year that we invoice but we do collect the cash at the commencement of the agreement.

The same applies for Snare as we generally sign subscription customers to a 12, 24 or 36 month agreement invoiced annually in advance.

Legacy products

The legacy products continue to shrink as expected. We now have only 2 customers globally using Prophecy legacy products and we expect that both of these will no longer be using the products by the end of FY23.

R&D

The vast majority of product R&D is conducted in Australia for both Snare and eMite, although we have continued to increase global resourcing to meet the needs of the business. Prophecy continues to be successful in accessing the Federal Government R&D grant scheme in Australia.

As both products can be delivered either by as SaaS or hosted offerings or deployed on premise we host our eMite SaaS customers globally on both AWS and Oracle Cloud. Utilising Oracle cloud has also enabled us to migrate our own internal IT and software development to the cloud for both Snare and eMite and this has led to increased operational performance and security of our software development processes.

Oracle and Prophecy have been working to gain significant benefits for both companies and Oracle have used Prophecy as a case study example of how two companies can deliver growth from Oracle Cloud as a SaaS provider and ISV.

Product milestones

New versions of Snare Central and Snare Agents have all been released in the last year.

New Snare Central capability continues to improve the value of Snare Central – new capability for High Availability, a faster and more scalable reflector, many new reporting capabilities as well as the initial release of new analytics capability and introduction of centralised management of a fleet of Snare Centrals distributed across a global network, vastly reducing management overhead and ensuring policy, reporting and alerting compliance across customer networks.

Ingesting event data from cloud based log sources was also released this year increasing Snare's relevance in a hybrid cloud world where systems can be anywhere on premise or hosted in multiple public and private clouds.

Review of Operations
For the Year Ended 30 June 2022

New versions of the Enterprise Agent have increased the granularity of audit and threat hunting capabilities. New Version of our Database Monitoring Agent has also been released allowing more monitoring of both security and performance of databases.

For eMite, a number of product releases have delivered greater reliability and scalability for our largest customers and brought new data sources into eMite for analysis.

A number of significant projects remain in front of us for FY23 that will further enhance eMite's strength in the CX market and allow us to address new use cases for customers in other segments.

Security

In FY22 the company was pleased to achieve ISO27001 certification for both Snare and eMite, covering the development delivery of the environments within the organisational units of Intersect Alliance International Pty Ltd (Snare) and eMite Pty Ltd (eMite).

The certification was completed by SAI Global in Australia, covering ISO/IEC 27001:2013 for the scope of "Development and delivery of the eMite and Snare solutions as defined in the Statement of Applicability version 1.0". Certified 28th September 2021. Certificate number ITGOV40332.

The issuance of this certificate reaffirms our commitment to internal control and data protection. Customers may use this third party audit to assess how Prophecy International software and services can meet their compliance and data-processing needs.

Snare continues to achieve Veracode Verified status, an independent third-party attestation that the code being developed from Snare is secure and will not introduce new security issues into our customer environment.

The company is also currently pursuing SOC2 compliance for eMite.

Prophecy has also joined the Open Cybersecurity Alliance (OCA). An OASIS Open Project, OCA is a global community founded by IBM and McAfee with the mission to build an open ecosystem where cybersecurity products interoperate without the need for customised integrations, simplifying integration across the threat lifecycle.

Prophecy joins these organisations committed to solving the costly problem of siloed cyber tools and products: IBM, McAfee, Center for Internet Security, Copado, Cydarm, Cyware, EclecticIQ, F5 Networks, Rapid7, SafeBreach, sFractal Consulting, Tenable, Tenzir, ThreatQuotient, Visua, VMware, Cyberreason, and SAIC.

Directors' Report
For the Year Ended 30 June 2022

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 2022.

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
Chair and Independent Non-executive Director

Qualifications	Bachelor of Science
Experience	Ed was appointed Non-executive Chairman on 8 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	7,830,000 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 now and in the previous 3 years	None

Grant R Miles
Non-Executive Director

Qualifications	Bachelor of Arts in Accountancy
Experience	Chartered Accountant – Fellow (FCA) Grant is the Managing Partner of Moore Australia SA/NT Pty Ltd Grant was appointed Company Secretary of Prophecy in May 2013 and a Director in May 2015. Grant has over 30 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	Finance Director Chair of the Audit Committee Chair of the Remuneration Committee
Other current directorships in listed entities now and in the previous 3 years	None

Directors' Report
For the Year Ended 30 June 2022

1. General information continued

Information on directors continued

Leanne Challans
Independent Non-executive Director

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 Holdings Limited and no options
Special responsibilities	Member of the Audit Committee
Other current directorships in listed entities now and in the previous 3 years	None

Matthew Michalewicz
Independent Non-executive Director

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	100,000 ordinary shares in Prophecy International Holdings Limited and no options
Special responsibilities	Member of the Strategy Committee
Other current directorships in listed entities now and in the previous 3 years	COMOPS Limited (Resigned October 2019)

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

Directors' Report
For the Year Ended 30 June 2022

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 loss after tax of the Group amounted to $1,669,515 which represented a14% improvement on the restated results reported for the year ended 30 June 2021 (2021 - $1,949,997).

A restatement of prior period earnings has been included in these financial statements to reflect an alignment of certain sales commissions with the requirements of the accounting standards. Further information is included in note 31 to the financial statements.

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 "Review of Operations" in this report.

3. Other items

Significant changes in state of affairs

No significant changes.

Dividends paid or recommended

No dividend has been paid or declared during the financial year.

Events after the end of the reporting period

Other than matters disclosed in this report, no matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations the state of affairs of the Group in future financial years.

Directors' Report
For the Year Ended 30 June 2022

3. Other items continued

Future developments and results

Comments on the company's future direction are included in the "Letter from the CEO".

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 Moore Australia (SA) Pty Ltd.

Meetings of directors

During the financial year, 23 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	12	12	2	2	9	9	-	-
Leanne R Challans	12	12	2	2	9	9	-	-
Matthew T Michalewicz	12	12	-	-	-	-	-	-
Grant R Miles	12	12	2	2	9	9	-	-

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.

Indemnification and insurance of officers and auditors

In the financial year, the company has paid premiums of $94,864 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 199C of the Corporations Act 2001.

3. Other items continued

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 2022:

	2022 $	2021 $
Taxation services	36,200	26,100

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 key management personnel, 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.

- 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.

3. Other items continued

Remuneration report (audited) continued

- 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 2015 Annual General Meeting, the maximum amounts payable to directors is $400,000.

Key management personnel receive a superannuation guarantee contribution required by the law, which is currently 10.5%, 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
Leanne R Challans (Appointed 8 December 2006)	Non-executive Director
Matthew T Michalewicz (Appointed 15 May 2014)	Non-executive Director
Grant R Miles (Appointed 1 May 2015)	Non-executive Director

Executives (other key management personnel)

Brad Thomas (Appointed 26 September 2016)	CEO – Prophecy Group
John Pappas (Appointed 1 July 2020)	VP – Sales – Prophecy Americas'
Stuart Geros (Appointed 1 July 2015)	CINO – Prophecy Group
Steve Challans (Appointed 1 July 2017)	CISO – Prophecy Group
Stephen Irecki (Appointed 1 November 2018)	Chief Operations Officer

There have been no changes to Key Management Personnel after the reporting date and before the date the financial accounts were authorised for issue.

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.

3. Other items continued

Remuneration report (audited) continued

Relationship between remuneration policy and company performance continued

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 (as restated) for the last three years for the Company, as well as the share prices at the end of the respective financial years.

	2022 $	2021* $	2020* $
Revenue and other income	16,432,228	13,320,572	13,748,332
Profit/(Loss) attributable to members after tax	(1,669,515)	(1,949,997)	(5,041,617)
Share price at year-end	0.81	0.55	0.79
Dividends paid (cents)	0.00	0.00	0.50

*restated – refer note 31

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 if any, the proportion of remuneration received in the form of options/rights. The company uses bonus schemes to reward senior executives for the achievement of individually set targets and milestones.

		Performance based remuneration		
		Bonus %	Shares %	Options / rights %
KMP				
Brad Thomas	CEO – Prophecy Group	-	-	-
John Pappas	VP – Sales – Prophecy Americas'	38%	-	-
Stuart Geros	CINO – Prophecy Group	17%	-	-
Steve Challans	CISO – Prophecy Group	-	-	-
Stephen Irecki	Chief Operations Officer	20%	-	-

3. Other items continued

Remuneration report (audited) 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 Chief Executive Officer and key management personnel 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 year.

Remuneration details for the year ended 30 June 2022

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

Directors' Report

For the Year Ended 30 June 2022

3. Other items continued

Remuneration report (audited) continued

Remuneration details for the year ended 30 June 2022 continued

Table of benefits and payments

Director and other Key Management Personnel		Short-term employee benefits					Post-employment benefits	Long-term benefits	Share-based payments		
Directors	**Year**	**Cash salary Fees $**	**Cash bonus $**	**Consulting fees $**	**Non-monetary benefits $**	**Health care & Allowances $**	**Superannuation $**	**Long Service Leave $**	**Shares $**	**Total $**	**Performance based on % of remuneration**
Ed Reynolds	**2022**	**39,000**	**-**	**67,646**	**-**	**-**	**3,900**	**-**	**-**	**110,546**	**-**
	2021	39,000	-	68,436	-	-	3,705	-		111,141	-
Leanne Challans	**2022**	**70,000**	**-**	**41,720**	**-**	**-**	**11,172**	**-**	**-**	**122,892**	**-**
	2021	70,000	-	34,055	-	-	9,885	-	-	113,940	-
Matthew Michalewicz	**2022**	**70,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**70,000**	**-**
	2021	70,000	-	-	-	-	-	-	-	70,000	-
Grant R Miles	**2022**	**70,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**70,000**	**-**
	2021	70,000	-	-	-	-	-	-	-	70,000	-
KMP											
Brad Thomas	**2022**	**315,625**	**-**	**-**	**15,526**	**-**	**25,000**	**26,727**	**-**	**382,878**	**-**
	2021	272,500	-	-	7,418	-	25,000	9,199	-	314,117	-
John Pappas (Appointed 1 July 2020)	**2022**	**266,714**	**189,467**	**-**	**17,440**	**16,602**	**13,685**	**-**	**-**	**503,908**	**38%**
	2021	235,448	124,907	-	13,382	14,406	10,811	-	-	398,954	31%
Stuart Geros	**2022**	**255,211**	**66,462**	**-**	**24,014**	**-**	**25,000**	**22,801**	**-**	**393,488**	**17%**
	2021	250,005	38,333	-	14,743	-	25,000	10,997	-	339,078	11%
Steve Challans	**2022**	**198,375**	**-**	**-**	**15,301**	**-**	**19,838**	**14,902**	**-**	**248,416**	**0%**
	2021	189,000	-	-	1,075	-	17,955	5,910	-	213,940	0%
Stephen Irecki	**2022**	**225,106**	**38,227**	**-**	**(73)**	**-**	**5116**	**6,313**	**19,950**	**294,639**	**20%**
	2021	220,224	23,286	-	12,850	-	-	1,686	-	258,046	9%
2022 Total	**2022**	**1,510,031**	**294,156**	**109,366**	**72,208**	**16,602**	**103,711**	**70,743**	**19,950**	**2,196,767**	
2021 Total	2021	1,416,177	186,526	102,491	49,468	14,406	92,356	27,792	-	1,889,216	

3. Other items continued

Remuneration report (audited) continued

Remuneration details for the year ended 30 June 2022 continued

The remuneration detailed above for Ed Reynolds includes director's fees of $39,000 and consulting fees of $67,646 (2021 – director's fees $39,000 and consulting fees $68,436) of which $67,646 was paid to Reyer Investments Pty Limited, a company in which Ed Reynolds is a director and shareholder.

Grant R Miles director's fees of $70,000 were paid to Moore Australia (SA) Pty Ltd ($60,000) and Rickaby Holdings Pty Ltd ($10,000) both companies directed by Grant R Miles.

Short term cash bonuses for John Pappas, Stuart Geros and Stephen Irecki relate to commission payments on licence fee revenue from sales of products to customers, in accordance with an incentive plan approved on 1st January 2015. The purpose of the incentive is to increase licence fee revenues and so improve shareholder wealth.

Securities received that are not performance related

No members of key management personnel received any securities during this year or the prior year as remuneration.

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

Prophecy International Holdings Limited received more than 98% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2021. 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.

3. Other items continued

Remuneration report (audited) 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:

30 June 2022	Balance at beginning of year	Granted as Remuneration	Acquisitions	Disposals	Other Changes	Balance at end of year
Ed Reynolds	**7,790,107**	-	39,893	-	-	**7,830,000**
*Leanne R Challans	**774,880**	-	-	-	-	**774,880**
Matthew T Michalewicz	**100,000**	-	-	-	-	**100,000**
Grant R Miles	**150,000**	-	-	-	-	**150,000**
Other KMP						
Brad Thomas	**86,681**	-	-	-	-	**86,681**
John Pappas	**-**	-	-	-	-	**-**
Stuart Geros	**1,727,665**	-	-	(25,000)	-	**1,702,665**
*Steve Challans	**774,880**	-	-	-	-	**774,880**
Stephen Irecki	**19,000**	35,000	-	-	-	**54,000**
	11,423,213	**35,000**	**39,893**	**(25,000)**	**-**	**11,473,106**

*Shares jointly held by Leanne R Challans and Steve Challans.

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

The following transactions occurred with related parties:

Moore Australia (SA) Pty Ltd, a company directed by Grant Miles, provided Accounting services to the Group of $13,145 (2021: $23,113).

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

For the Year Ended 30 June 2022

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2022 has been received and can be found on page 24 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 28th day of September, 2022

Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3
170 Frome Street
Adelaide SA 5000
GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666

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 2022, 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

J L Humphrey
Partner – Audit & Assurance

Adelaide, 28 September 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2022

	Note	2022 $	2021 Restated $
Revenue from continuing operations	2	**16,431,198**	12,840,733
Other income		**1,030**	479,839
Employee benefits expense	3	**(11,092,730)**	(9,319,690)
Depreciation and amortisation expense	3	**(1,688,847)**	(1,865,152)
Other expenses	3	**(5,513,329)**	(4,796,983)
Finance costs		**(37,830)**	(49,303)
Loss before income tax		**(1,900,508)**	(2,710,556)
Income tax benefit/expense	4	**230,993**	760,559
Loss for the year		**(1,669,515)**	(1,949,997)
Other comprehensive income/(loss), net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities		**(246,953)**	278,068
Other comprehensive income/(loss) for the year, net of tax		**(246,953)**	278,068
Total comprehensive loss for the year		**(1,916,468)**	(1,671,929)
Loss attributable to:			
Members of the parent entity		**(1,714,158)**	(1,974,492)
Non-controlling interest		**44,643**	24,494
		(1,669,515)	(1,949,997)
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		**(1,961,111)**	(1,696,425)
Non-controlling interest		**44,643**	24,494
		(1,916,468)	(1,671,929)
Losses per share			
From continuing operations:			
Basic earnings/(loss) per share (cents)	8	**(2.4)**	(3.0)
Diluted earnings/(loss) per share (cents)	8	**(2.4)**	(3.0)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As At 30 June 2022

	Note	2022 $	2021 Restated $	1 July 2020 Restated $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	9	**12,987,942**	3,127,403	4,398,723
Financial assets	10	**100,662**	100,662	-
Trade and other receivables	11	**2,769,896**	2,323,504	2,524,251
Contract assets		**284,780**	228,908	379,683
Current tax receivable		**437,350**	328,674	-
Other assets	12	**1,821,511**	1,415,568	1,189,071
TOTAL CURRENT ASSETS		**18,402,141**	7,524,719	8,491,728
NON-CURRENT ASSETS				
Trade and other receivables	11	**8,170**	7,489	8,201
Other assets	12	**1,202,783**	650,397	700,762
Property, plant and equipment	14	**220,391**	244,368	353,924
Intangible assets	15	**7,016,817**	8,149,181	9,415,547
Right to use assets	16	**542,939**	921,206	1,280,960
Deferred tax assets	25	**576,665**	796,723	1,071,565
TOTAL NON-CURRENT ASSETS		**9,567,765**	10,769,364	12,830,959
TOTAL ASSETS		**27,969,906**	18,294,083	21,332,687
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	17	**1,635,694**	1,393,702	1,288,130
Current tax liabilities		**-**	-	375,189
Contract liabilities - Deferred revenue	18	**5,026,489**	3,199,630	3,603,248
Employee benefits	19	**1,625,765**	1,173,551	1,017,665
Lease liabilities	16	**207,316**	531,757	482,478
TOTAL CURRENT LIABILITIES		**8,495,264**	6,298,640	6,766,710
NON-CURRENT LIABILITIES				
Deferred tax liabilities	25	**1,004,394**	782,656	1,478,553
Employee benefits	19	**133,301**	154,806	163,968
Lease liabilities	16	**407,363**	541,143	905,271
Contract liabilities - Deferred revenue	18	**3,172,364**	1,139,360	958,778
TOTAL NON-CURRENT LIABILITIES		**4,717,422**	2,617,965	3,506,570
TOTAL LIABILITIES		**13,212,686**	8,916,605	10,273,280
NET ASSETS		**14,757,220**	9,377,478	11,049,407
EQUITY				
Issued capital	20	**35,798,079**	28,501,869	28,501,869
Reserves		**(278,343)**	(31,390)	(309,458)
Accumulated losses		**(20,567,908)**	(18,853,749)	(16,879,258)
Total equity attributable to equity holders of the Company		**14,951,828**	9,616,730	11,313,153
Non-controlling interest		**(194,609)**	(239,252)	(263,746)
TOTAL EQUITY		**14,757,220**	9,377,478	11,049,407

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2022

2022

	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Non-controlling Interests $	Total $
Balance at 1 July 2021	**28,501,869**	**(19,862,291)**	**(156,215)**	**124,825**	**(322,276)**	**8,285,912**
Effect of restatement (note 31)	-	1,008,542	-	-	83,024	1,091,566
Restated balance at 1 July 2021	**28,501,869**	**(18,853,749)**	**(156,215)**	**124,825**	**(239,252)**	**9,377,478**
Loss attributable to members of the parent entity	**-**	**(1,714,158)**	**-**	**-**	**-**	**(1,714,158)**
Profit attributable to non-controlling interests	**-**	**-**	**-**	**-**	**44,643**	**44,643**
Total other comprehensive income for the year	**-**	**-**	**(246,953)**	**-**	**-**	**(246,953)**
Transactions with owners in their capacity as owners						
Issue of shares	**7,296,210**	**-**	**-**	**-**	**-**	**7,296,210**
Balance at 30 June 2022	**35,798,079**	**(20,567,907)**	**(403,168)**	**124,825**	**(194,609)**	**14,757,220**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2022

2021

	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Non-controlling Interests $	Total $
Balance at 1 July 2020	28,501,869	(17,819,739)	(434,283)	124,825	(331,348)	10,041,324
Effect of restatement (note 31)	-	940,482	-	-	67,602	1,008,084
Balance at 1 July 2020	28,501,869	(16,879,257)	(434,283)	124,825	(263,746)	11,049,408
Loss attributable to members of the parent entity	-	(1,974,492)	-	-	-	(1,974,492)
Profit attributable to non-controlling interests	-	-	-	-	24,494	24,494
Total other comprehensive income for the year	-	-	278,068	-	-	278,068
Balance at 30 June 2021	28,501,869	(18,853,749)	(156,215)	124,825	(239,252)	9,377,478

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2022

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**21,521,741**	13,421,531
Payments to suppliers and employees		**(19,012,500)**	(13,590,709)
Interest received		**377**	1,839
Income taxes (paid)/refunded		**428,772**	(209,133)
Net cash provided by/(used in) operating activities	24	**2,938,390**	(376,472)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(96,453)**	(32,706)
Net cash used in investing activities		**(96,453)**	(32,706)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		**7,296,210**	-
Payment of lease liabilities		**(544,333)**	(539,519)
Net cash provided by/(used in) financing activities		**6,751,877**	(539,519)
Effects of foreign exchange rates on overseas cash holdings		**266,725**	(322,623)
Net increase/(decrease) in cash and cash equivalents held		**9,860,539**	(1,271,320)
Cash and cash equivalents at beginning of year		**3,127,403**	4,398,723
Cash and cash equivalents at end of financial year	9	**12,987,942**	3,127,403

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 30 June 2022

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

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

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

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

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

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. They have been prepared under the assumption that the Group operates on a going concern basis.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are based on historical costs.

(b) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 13 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

1 Summary of Significant Accounting Policies continued

(c) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

The Company and its wholly-owned Australian controlled entities have formed a tax-consolidated group under the legislation and as a consequence these entities are taxed as a single entity.

(d) Property, Plant and Equipment

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

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

Depreciation

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

1 Summary of Significant Accounting Policies continued

(d) Property, Plant and Equipment continued

Depreciation continued

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

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

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

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

1 Summary of Significant Accounting Policies continued

(e) Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the periods presented the corporation does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.value

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at fair value through profit or loss

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

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

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

Impairment of financial assets

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

1 Summary of Significant Accounting Policies continued

(e) Financial Instruments continued

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

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

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

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

Trade and other receivables

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

Classification and measurement of financial liabilities

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

1 Summary of Significant Accounting Policies continued

(f) Impairment of Non-financial Assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(g) Intangible Assets

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

i) the consideration transferred;

ii) any non-controlling interest; and

iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life which is estimated to be 7 years or 15 years, depending on the product.

Notes to the Financial Statements

For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies continued

(g) Intangible Assets continued

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

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

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

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

Impairment

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

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

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

Notes to the Financial Statements
For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies continued

(h) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

1 Summary of Significant Accounting Policies continued

(i) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Defined contribution schemes

All employees of the Group other than those that receive defined benefit entitlements receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 10% of the employee’s average ordinary salary) to the employee’s superannuation fund of choice. All contributions in respect of employees’ defined contribution entitlements are recognised as an expense when they become payable. The Group’s obligation with respect to employees’ defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group’s statement of financial position.

Termination benefits

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

(j) Provisions

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

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

(k) Cash and Cash Equivalents

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

1 Summary of Significant Accounting Policies continued

(l) Leases

At inception of a contract, the Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

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

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1 Summary of Significant Accounting Policies continued

(m) Revenue and Other Income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligation is transferred

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Group expects to receive in exchange for those products or services and receipt of the agreed consideration is considered probable. The Group enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations.

Revenue is allocated to performance obligations by reference to their relative stand-alone selling price, which is the value that a performance obligation is sold at on a stand-alone basis. Where a stand-alone selling price is not able to be determined – for instance, perpetual software licenses – revenue is allocated on the basis of the residual after determining the stand-alone selling prices of all other bundled performance obligations.

Where the right to payment is contingent upon a future event, revenue is considered variable and management considers whether the revenue is constrained. Revenue is constrained if it is not highly probable that a significant reversal of revenue would not occur in a future period. Constrained revenue is recognised as revenue when the constraint is removed.

Software & software maintenance

Perpetual licenses for on-premises software provide the customer with a right to use the software as it exists when made available to the customer and are considered a distinct performance obligation. Revenue from on-premises licenses are recognised at the point in time when the software is made available to the customer. Licenses are bundled with maintenance agreements, in which the Group stands ready to provide updates, bug fixes, and general support on an as-needed basis. Revenue from maintenance agreements is recognised on a straight-line basis over the period of the maintenance agreement as customers receive and consume the benefits of the service as it is provided.

Software as a Service (Saas)

SaaS arrangements grant customers a right to access software maintained by the Group and contain bundled maintenance and support services. As the maintenance and support of the SaaS arrangement cannot be acquired separately to the SaaS arrangement (and vice versa) they are considered a single performance obligation. Revenue from SaaS arrangements is recognized on a straight-line basis over the period of the SaaS arrangement as customers receive and consume the benefits of the service as it is provided.

Notes to the Financial Statements
For the Year Ended 30 June 2022

1 Summary of Significant Accounting Policies continued

(m) Revenue and Other Income continued

Revenue from contracts with customers continued

Consulting services

Consulting services are provided in connection with software and SaaS sales and are considered a distinct performance obligation. Consulting services are recognised over time by reference to management's expectation of effort to be expended in delivering the agreed services by reference to budgeted and expended hours of effort as at reporting date as the efforts expended create an asset that the customer controls as the asset is created.

Contract assets and contract liabilities

The timing of revenue recognition may differ from the timing of invoicing to customers. A receivable is recognised when a contractual right to cash arises where only through the passage of time is required; where revenue is recognised and a receivable is not recognised, the Group records an accrued income. Accrued income is subject to expected credit losses in a manner consistent with trade receivables. Where amounts are received from customers in advance of recognition of revenue, a contract liability is recognised.

Assets Recognised from Costs to Obtain a Contract with a Customer

The Group recognises an asset for the incremental costs of obtaining a contract with a customer if the Group expects the benefit of those costs to be longer than one year. Capitalised costs to obtain a contract were included within prepayments on the consolidated statement of financial position and amortised over a three year period.

The Group applies a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortisation period would have been one year or less.

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 2022

1 Summary of Significant Accounting Policies continued

(n) Trade and Other Receivables

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

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 2(f) for further discussion on the determination of impairment losses.

(o) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(p) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(q) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(r) R&D Tax Incentive

The Group is entitled to claim R&D tax incentives in Australia. The R&D tax incentive is calculated using the estimated R&D expenditure multiplied by a 43.5% non-refundable tax offset. The Group accounts for this incentive as negative income tax expense.

(s) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening consolidated statement of financial position at the earliest date of the comparative period has been presented.

1 Summary of Significant Accounting Policies continued

(t) Critical Accounting Estimates and Judgments

Key estimates - Research and development incentive

Estimates are made at each reporting date relating eligible expenditure to be claimed by the company pursuant to the research and development tax incentive. The research and development tax incentive is one of the key elements of the Australian Government's support for Australia's innovation system and is supported by legislative law primarily in the form of the Australian Income Tax Assessment Act 1997 as long as eligibility criteria are met. Generally speaking, entities which are an R&D entity involved in eligible R&D activities may claim research and development tax incentive as follows:

- as a refundable tax credit if aggregate turnover (which generally means an entity's total income that it derives in the ordinary course of carrying on a business, subject to certain exclusions) of the entity is less than A$20 million, or
- as a non-refundable tax credit if aggregate turnover of the entity is more than A$20 million.

Key estimates - impairment of tax losses

Deferred tax assets include amounts related to unused tax losses. At each balance date the directors review the likelihood that the Group be able to generate sufficient future taxable profits to utilise these tax losses, and adjusts deferred tax assets accordingly.

Key estimates - impairment of goodwill

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

Key estimates - Coronovirus COVID-19 Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Key estimates - impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 1(f)).

Key judgments - allowance for credit losses

The value of the allowance for credit losses is estimated by considering the ageing of receivables, communication with the debtors and prior history.

Key judgments - revenue recognition

The Group's contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

Judgment is required to determine the stand-alone selling price for each distinct performance obligation as well as the length of time to amortise incremental costs of obtaining a contract.

1 Summary of Significant Accounting Policies continued

(u) New Accounting Standards issued but not yet effective and not been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the AASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Revenue and Other Income

Revenue from continuing operations

	2022 $	2021 $
Sales revenue		
- licence sales	**11,168,916**	8,001,197
- maintenance fees	**4,497,051**	4,464,239
- consulting sales	**765,231**	375,297
	16,431,198	12,840,733

The Group's revenue is disaggregated as follows:

	Legacy		Snare		eMite		Total	
	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $
Goods or services transferred at a point in time								
- licence sales	**471,518**	262,420	**4,422,129**	3,746,062	**950,962**	581,448	**5,844,609**	4,589,930
- consulting sales	**-**	14,645	**92,591**	169,616	**672,642**	191,036	**765,233**	375,297
	471,518	277,065	**4,514,720**	3,915,678	**1,623,604**	772,484	**6,609,842**	4,965,227
Goods or services transferred over time								
- licence sales	**-**	-	**6,524**	11,791	**5,317,781**	3,399,476	**5,324,305**	3,411,267
- maintenance fees	**81,286**	180,570	**3,975,166**	3,814,579	**440,599**	469,090	**4,497,051**	4,464,239
	81,286	180,570	**3,981,690**	3,826,370	**5,758,380**	3,868,566	**9,821,356**	7,875,506
Total	**552,804**	457,635	**8,496,410**	7,742,048	**7,381,984**	4,641,050	**16,431,198**	12,840,733

Notes to the Financial Statements
For the Year Ended 30 June 2022

3 Result for the Year

The result for the year includes the following specific expenses:

	2022 $	Restated 2021 $
Salaries and wages	**7,351,968**	6,646,159
Commissions	**1,879,078**	971,800
Superannuation contributions	**507,792**	473,447
Payroll taxes	**558,226**	449,766
Consultants	**488,142**	362,508
Medical expenses	**370,178**	298,206
AL & LSL expenses	**411,789**	159,283
Other employee benefit expenses	**203,803**	71,334
	11,770,976	9,432,503
Commission capitalised (note 12)	**(678,246)**	(112,813)
Total employee benefits	**11,092,730**	9,319,690

	2022 $	Restated 2021 $
Depreciation and amortisation expense comprises:		
- Depreciation - plant and equipment	**121,355**	139,469
- Depreciation - right of use assets	**435,128**	459,317
- Amortisation - intellectual property	**800,000**	800,000
- Amortisation - development costs	**332,364**	466,366
	1,688,847	1,865,152
Other Expenses:		
Accounting fees	**204,115**	154,484
Consulting and professional fees	**2,494,883**	1,716,802
Filing fees	**77,132**	77,864
Insurance	**177,395**	146,677
Marketing	**155,978**	186,743
Strata Fees	**(3,646)**	80,020
Foreign exchange (gains)/losses	**(450,455)**	369,748
Expected credit losses	**-**	120,687
Communications expense	**1,632,899**	1,073,156
Software including annual maintenance	**861,142**	679,931
Travel and accommodation	**87,455**	10,449
Other expenses	**276,431**	180,422
	5,513,329	4,796,983

4 Income Tax Expense

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

	2022 $	Restated 2021 $
Current tax expense/benefit	**(437,350)**	(328,674)
Deferred tax expense/(benefit)	**179,030**	(273,313)
Adjustments for under/(over) provision for taxes in prior periods	**27,327**	(158,572)
Total income tax expense/(benefit)	**(230,993)**	(760,559)

(b) Reconciliation of income tax to accounting profit:

	2022	2021
Profit/(loss)	**(1,900,509)**	(2,710,556)
Tax	**25.00%**	26.00%
	(475,127)	(704,745)
Add:		
Tax effect of:		
- non-deductible expenses	**471,710**	595,565
- tax losses not recognised - foreign jurisdictions	**214,685**	23,948
	211,268	(85,232)
Less:		
Tax effect of:		
- Research and Development offset	**471,368**	516,755
- over/(under) provision for tax in prior year	**(29,107)**	158,572
Income tax expense/(benefit)	**(230,993)**	(760,559)

5 Key Management Personnel Disclosures

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

	2022 $	2021 $
Short-term employee benefits	**2,002,363**	1,769,068
Long-term benefits	**70,743**	27,792
Post-employment benefits	**103,711**	92,356
Share-based payments	**19,950**	-
	2,196,767	1,889,216

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 2022.

Notes to the Financial Statements
For the Year Ended 30 June 2022

6 Remuneration of Auditors

	2022 $	2021 $
Remuneration of the auditor of the parent entity, Grant Thornton, for:		
- auditing or reviewing the financial statements	**108,526**	104,248
- taxation services	**36,200**	26,100
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial statements of subsidiaries	**11,009**	10,819
Total	**155,735**	141,167

7 Dividends

The following dividends were declared and paid:

	2022	2021
Interim unfranked ordinary dividend of nil (2021: nil) cents per share	**-**	-

Franking account

	2022	2021
The franking credits available for subsequent financial years at a tax rate of 25%	**141,574**	141,574

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

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

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

8 Earnings per Share

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

	2022 $	Restated 2021 $
Loss after income tax attributable to the owners of Prophecy International Holdings Limited	**(1,669,515)**	(1,949,997)

(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	**70,538,537**	64,055,934
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**70,538,537**	64,055,934

Notes to the Financial Statements
For the Year Ended 30 June 2022

9 Cash and Cash Equivalents

	2022 $	2021 $
Cash at bank in hand	**12,987,942**	2,996,222
Short-term bank deposits	**-**	131,181
	12,987,942	3,127,403

10 Financial Assets

	2022 $	2021 $
Other financial assets - security deposits	**100,662**	100,662

11 Trade and Other Receivables

	2022 $	2021 $
CURRENT		
Trade receivables	**2,890,583**	2,444,191
Provision for impairment	**(120,687)**	(120,687)
Total current trade and other receivables	**2,769,896**	2,323,504
NON-CURRENT		
Deposits	**24**	24
Other receivables	**8,146**	7,465
Total non-current trade and other receivables	**8,170**	7,489

11 Trade and Other Receivables continued

The following table details the Group's trade and other receivables.

	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
2022						
Expected loss rate	**-**	**-**	**-**	**-**	**-**	**-**
Gross carrying amount						
- trade receivables	**2,173,228**	**524,116**	**76,282**	**35,563**	**89,564**	**2,898,753**
Loss allowance		**-**	**-**	**-**	**120,687**	**120,687**
2021						
Expected loss rate	-	-	-	-	-	-
Gross carrying amount						
- trade receivables	1,941,918	252,238	12,382	97,849	26,606	2,330,993
Loss allowance	-	-	-	-	120,687	120,687

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

The other classes of receivables do not contain impaired assets.

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

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

The expected loss rates are based on the payment profile for sales over the past 12 months before 30 June 2022 and 30 June 2021 respectively as well as the corresponding historical credit losses during that period. The historical rates are not adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding as it is considered that there are no other factors which are not already refected in the historical rates.

The Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

12 Other Assets

	2022 $	Restated 2021 $
CURRENT		
Prepayments – incremental costs to obtain contracts with customers	**1,184,071**	840,007
Other prepayments	**637,440**	575,561
	1,821,511	1,415,568
NON-CURRENT		
Prepayments – incremental costs to obtain contracts with customers	**1,202,783**	650,397

Notes to the Financial Statements
For the Year Ended 30 June 2022

13 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2022	Percentage Owned (%)* 2021
Subsidiaries:			
Intersect Alliance International Pty Ltd	Australia	**100**	100
Prophecy International Pty Ltd as trustee for CSP Unit Trust	Australia	**100**	100
Prophecy R&D Pty Ltd	Australia	**100**	100
Prophecy Americas' Inc	United States	**93**	93
Prophecy Europe Limited	United Kingdom	**100**	100
eMite Pty Ltd	Australia	**100**	100

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

14 Property, Plant and Equipment

	2022 $	2021 $
Plant and equipment		
At cost	**1,418,478**	1,306,190
Accumulated depreciation	**(1,208,028)**	(1,077,138)
Total plant and equipment	**210,450**	229,052
Furniture, fixtures and fittings		
At cost	**241,844**	237,629
Accumulated depreciation	**(231,903)**	(222,313)
Total furniture, fixtures and fittings	**9,941**	15,316
Total property, plant and equipment	**220,391**	244,368

Movements in carrying amounts of property, plant and equipment

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

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

Notes to the Financial Statements
For the Year Ended 30 June 2022

14 Property, Plant and Equipment continued

Movements in carrying amounts of property, plant and equipment continued

	Plant and Equipment $	Furniture, Fixtures and Fittings $	Total $
Year ended 30 June 2021			
Balance at the beginning of year	331,622	22,302	353,924
Additions	32,706	-	32,706
Depreciation expense	(133,296)	(6,173)	(139,469)
Foreign exchange movements	(1,980)	(813)	(2,793)
Balance at the end of the year	229,052	15,316	244,368

Notes to the Financial Statements
For the Year Ended 30 June 2022

15 Intangible Assets

	2022 $	2021 $
Goodwill		
Cost	**5,108,270**	5,108,270
Accumulated impairment losses	**(2,981,455)**	(2,981,455)
Net carrying value	**2,126,815**	2,126,815
Intellectual property		
Cost	**12,720,000**	12,720,000
Accumulated amortisation and impairment	**(8,009,291)**	(7,209,291)
Net carrying value	**4,710,709**	5,510,709
Development costs		
Cost	**2,678,372**	2,678,372
Accumulated amortisation and impairment	**(2,499,079)**	(2,166,715)
Net carrying value	**179,293**	511,657
Total Intangibles	**7,016,817**	8,149,181

Movements in carrying amounts of intangible assets

	Intellectual property $	Goodwill $	Development costs $	Total $
Year ended 30 June 2022				
Balance at the beginning of the year	**5,510,709**	**2,126,815**	**511,657**	**8,149,181**
Amortisation	**(800,000)**	**-**	**(332,364)**	**(1,132,364)**
Impairment loss	**-**	**-**	**-**	**-**
Closing value at 30 June 2022	**4,710,709**	**2,126,815**	**179,293**	**7,016,817**
Year ended 30 June 2021				
Balance at the beginning of the year	6,310,709	2,126,815	978,023	9,415,547
Amortisation	(800,000)	-	(466,366)	(1,266,366)
Impairment loss	-	-	-	-
Closing value at 30 June 2021	5,510,709	2,126,815	511,657	8,149,181

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

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

15 Intangible Assets continued

Goodwill with a carrying value of $2,126,815 (2021: $2,126,815) has been allocated to the Snare CGU. The recoverable amount of the Snare CGU is determined based on the value-in-use ("VIU") calculations. The calculation is based on net present value of cash flow projections over a 3 year period at a post-tax discount rate of 18.3%. It is estimated an ongoing growth rate of 2.5% pa to perpetuity in the future cash flows in this VIU calculation. If the discount rate, which is based on the estimate of the Snare CGU's weighted average cost of capital, had been increased from 18.3% to 21.0%, no impairment expenses would have been recognised.

Goodwill with a carrying value of $nil (2021: $nil) and Intellectual Property with a carrying value of $4,710,709 (2021: $5,510,709), has been allocated to the eMite CGU. The recoverable amount of the eMite CGU is determined based on the VIU calculations. The calculation is based on net present value of cash flow projections over a 3 year period at a post-tax discount rate of 18.3%. It is estimated an ongoing growth rate of 2.5% pa to perpetuity in the future cash flows in this VIU calculation. If the discount rate, which is based on the estimate of the eMite CGU's weighted average cost of capital, had been increased from 18.3% to 21.0%, no impairment expenses would have been recognised.

Intellectual property relates to copyright eMite CGU software products. These products have a remaining amortisation period of 6 years

16 Leases

(a) Right-of-use assets

	2022
Year ended 30 June 2022	
As at 1 July 2021	**921,206**
FX revaluation	**56,861**
Depreciation	**(435,128)**
Balance at end of year	**542,939**

	2021
Year ended 30 June 2021	
As at 1 July 2020	1,280,960
FX revaluation	(15,852)
Increases - new leases	115,415
Depreciation	(459,317)
Balance at end of year	921,206

The Group lease various office spaces in Australia and the United States. Rental contracts typically made for fixed periods of 1 year to 5 years.

(b) Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year $	1 - 5 years $	> 5 years $	Total $
2022				
Lease liabilities	**207,316**	**407,363**	**-**	**614,679**
2021				
Lease liabilities	531,757	541,143	-	1,072,900

Notes to the Financial Statements
For the Year Ended 30 June 2022

17 Trade and Other Payables

	2022 $	2021 $
Trade payables	**873,321**	677,050
Sundry payables and accrued expenses	**759,716**	713,995
Other payables	**2,657**	2,657
	1,635,694	1,393,702

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

18 Contract liabilities

	2022 $	2021 $
CURRENT		
Unearned revenue from customers	**5,026,489**	3,199,630
NON-CURRENT		
Unearned revenue from customers	**3,172,364**	1,139,360

19 Employee Benefits

	2022 $	2021 $
CURRENT		
Long service leave	**538,791**	353,095
Annual leave	**1,086,974**	820,456
	1,625,765	1,173,551
NON-CURRENT		
Long service leave	**133,301**	154,806

Notes to the Financial Statements
For the Year Ended 30 June 2022

20 Issued Capital

	2022 $	2021 $
73,590,934 (2021: 64,055,934) Ordinary shares	**35,798,079**	28,501,869

(a) Ordinary shares

	2022 $	2022 No	2021 $	2021 No
At the beginning of the reporting period	**28,501,869**	**64,055,934**	28,501,869	64,055,934
Issue of shares – placement	**7,695,000**	**9,500,000**	-	-
Issue of shares – employee share scheme	**19,950**	**35,000**	-	-
Share issue costs (net of tax)	**(418,740)**	**-**	-	-
At the end of the reporting period	**35,798,079**	**73,590,934**	28,501,869	64,055,934

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

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 $70,662 (2021: $201,843).

The guarantees are secured by a fixed charge over Prophecy International Pty Ltd's bank balances.

No material losses are anticipated in respect to this contingency.

22 Events Occurring After the Reporting Date

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

23 Reserves and retained surplus

(a) Foreign currency translation reserve

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

(b) Share option reserve

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

Notes to the Financial Statements
For the Year Ended 30 June 2022

24 Cash Flow Information

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

	2022 $	2021 $
Profit for the year	**(1,669,515)**	(1,949,997)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	**1,688,847**	1,865,152
- net gain on disposal of property, plant and equipment	**1,003**	-
- foreign exchange (gain)/loss	**(420,070)**	369,735
- foreign exchange differences arising on translation of foreign subsidiaries	**(135,341)**	155,226
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables and contract assets	**(413,159)**	325,838
- (increase)/decrease in other assets	**(1,026,162)**	(393,125)
- (increase)/decrease in deferred tax asset	**220,058**	274,842
- (increase)/decrease in income tax receivable	**(108,676)**	(328,674)
- increase/(decrease) in contract liabilities	**3,859,863**	(223,036)
- increase/(decrease) in trade and other payables	**222,647**	93,152
- increase/(decrease) in income taxes payable	**-**	(375,189)
- increase/(decrease) in deferred tax liability	**283,802**	(330,751)
- increase/(decrease) in employee benefits	**435,093**	140,355
Cashflows from operations	**2,938,390**	(376,472)

(b) Credit standby arrangements with banks

	2022 $	2021 $
Credit facility	**75,000**	40,000
Amount utilised	**(31,696)**	(2,154)
	43,304	37,846

The major facilities are summarised as follows:

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

Notes to the Financial Statements
For the Year Ended 30 June 2022

25 Tax

	2022 $	Restated 2021 $
Current Tax Asset		
Tax receivable	**437,350**	328,674
Current Tax Liability		
Income tax payable	**-**	-
Recognised deferred tax assets and liabilities		
Deferred tax assets	**576,665**	796,723
Deferred tax liabilities	**1,004,394**	782,656

Unrecognised deferred tax assets

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

	2022 $	Restated 2021 $
Tax losses	**5,875,092**	6,145,696

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therein. At 30 June 2022, substantially all tax losses vest with the Group's United States subsidiaries.

Deferred Tax Assets

	Opening Balance $	Charged to Income $	Over/(under) provision in prior years $	Changes in Tax Rate $	Closing Balance $
Property, plant and equipment					
- tax allowance	6,507	(3,004)	-	-	3,503
Provisions - employee benefits	278,751	5,423	-	-	284,174
Unrealised foreign exchange	66,542	(1,859)	-	-	64,683
Accruals	29,249	(6,899)	-	-	22,350
Deferred tax assets attributable to tax losses	-	111,430	-	-	111,430
Other deductions	277	(131)	-	-	146
Leases	690,239	(379,802)	-	-	310,437
Balance at 30 June 2021	1,071,565	(274,842)	-	-	796,723
Property, plant and equipment					
- tax allowance	**3,503**	**(2,514)**	**-**	**(135)**	**854**
Provisions - employee benefits	**284,174**	**83,535**	**-**	**(10,930)**	**356,779**
Unrealised foreign exchange	**64,683**	**(45,259)**	**-**	**(2,488)**	**16,936**
Accruals	**22,350**	**(3,220)**	**-**	**(860)**	**18,270**
Deferred tax assets attributable to tax losses	**111,430**	**34,442**	**(111,430)**	**(4,286)**	**30,156**
Other deductions	**146**	**(140)**	**-**	**(6)**	**-**
Leases	**310,437**	**(144,827)**	**-**	**(11,940)**	**153,670**
Balance at 30 June 2022	**796,723**	**(77,983)**	**(111,430)**	**(30,645)**	**576,665**

Notes to the Financial Statements

For the Year Ended 30 June 2022

25 Tax continued

Deferred Tax Liabilities

	Opening Balance $	Charged to Income $	Charged directly to Equity $	Changes in Tax Rate $	Closing Balance $
Work in progress	21,236	(21,236)	-	-	-
Prepayments	373,495	30,488	-	-	403,983
Property, plant and equipment	-	133,031	-	-	133,031
Other current assets	276,106	(263,886)	-	-	12,220
Unrealised foreign currency gains	152,587	(34,190)	(89,657)	-	28,740
Leases	655,129	(450,447)	-	-	204,682
Balance at 30 June 2021	1,478,553	(606,240)	(89,657)	-	782,656
Prepayments	**403,983**	**171,117**	**-**	**(198)**	**574,902**
Property, plant and equipment	**133,031**	**(83,091)**	**-**	**(5,117)**	**44,823**
Other current assets	**12,220**	**(11,750)**	**-**	**(470)**	**-**
Unrealised foreign currency gains	**28,740**	**194,875**	**26,567**	**(1,105)**	**249,077**
Leases	**204,682**	**(61,218)**	**-**	**(7,872)**	**135,592**
Balance at 30 June 2022	**782,656**	**209,933**	**26,567**	**(14,762)**	**1,004,394**

26 Operating Segments

Segment information

Identification of reportable segments

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

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

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

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

Income tax expense is calculated based on the segment operating net profit using a notional charge of 25%. The effect of taxable or deductible temporary differences is not included for internal reporting purposes.

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

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

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

(b) Segment assets

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

(c) Segment liabilities

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

(d) Unallocated items

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

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

26 Operating Segments continued

(e) Segment performance

	Legacy 2022 $	Legacy 2021 $	SNARE 2022 $	SNARE 2021 $	eMite 2022 $	eMite 2021 $	Total 2022 $	Total 2021 $
REVENUE								
External sales	552,804	457,635	8,496,410	7,742,048	7,381,984	4,641,050	16,431,198	12,840,733
Other revenue	249	178,505	690	100,012	91	201,322	1,030	479,839
Total segment revenue	553,053	636,140	8,497,100	7,842,060	7,382,075	4,842,372	16,432,228	13,320,572
Segment operating profit/(loss)	(2,225,624)	(1,862,186)	1,055,580	(94,709)	(730,464)	(753,661)	(1,900,508)	(2,710,556)

(f) Segment assets

	Legacy 2022 $	Legacy 2021 $	SNARE 2022 $	SNARE 2021 $	eMite 2022 $	eMite 2021 $	Total 2022 $	Total 2021 $
Segment assets	5,019,619	1,100,059	8,836,597	7,805,829	13,537,025	8,591,472	27,393,241	17,497,360
- Capital expenditure	17,676	3,815	69,384	27,341	9,393	1,550	96,453	32,706

(g) Segment liabilities

	Legacy 2022 $	Legacy 2021 $	SNARE 2022 $	SNARE 2021 $	eMite 2022 $	eMite 2021 $	Total 2022 $	Total 2021 $
Segment liabilities	1,873,666	1,989,621	6,455,860	4,512,511	3,878,766	1,631,817	12,208,292	8,133,949

26 Operating Segments continued

(h) Reconciliations

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

	2022	2021
	$	$
Total segment revenue	**16,431,198**	12,840,733

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.

	2022	2021
Segment net operating profit	**(1,900,508)**	(2,710,556)
Income tax expense	**230,993**	760,559
Total net profit after tax	**(1,669,515)**	(1,949,997)

Reconciliation of segment assets to the consolidated statement of financial position

	2022	2021
Segment operating assets	**54,032,749**	45,927,624
Intersegment eliminations	**(33,656,325)**	(36,579,445)
Deferred tax assets	**576,665**	796,723
Intangible assets	**7,016,817**	8,149,181
Total assets per the consolidated statement of financial position	**27,969,906**	18,294,083

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

	2022	2021
Segment liabilities	**61,485,734**	55,860,671
Intersegment eliminations	**(49,277,442)**	(47,726,722)
Deferred tax liabilities	**1,004,394**	782,656
Total liabilities per the consolidated statement of financial position	**13,212,686**	8,916,605

(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.

	2022		2021	
	Revenue	Assets	Revenue	Assets
Australia	**2,354,442**	**21,850,469**	1,462,247	13,005,714
United States	**12,134,613**	**5,633,700**	10,230,258	5,063,916
Europe	**1,938,930**	**485,737**	1,118,034	224,453
Asia	**3,213**	**-**	30,194	-
	16,431,198	**27,969,906**	12,840,733	18,294,083

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.

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company are set out below and detailed disclosures relating to remuneration are included in the remuneration report:

	2022 $	2021 $
Short-term employee benefits	**2,002,363**	1,769,068
Long-term benefits	**70,743**	27,792
Post-employment benefits	**103,711**	92,356
Share-based payments	**19,950**	-
	2,196,767	1,889,216

Disclosures relating to key management personnel are set out in the remuneration report included in the Directors' Report.

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

(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.

The following transactions occurred with related parties:

	2022 $	2021 $
Directors Fees of $100,000 for Ed Reynolds were paid to: - Ed Reynolds ($39,000) and - Reyer Investments Pty Ltd ($61,000) as stated in the Remuneration Report included in the Directors' Report.		
Reyer Investments Pty Ltd, a company directed by Ed Reynolds, the Chairman, provided consulting services to the Group.	**6,646**	7,436
Directors Fees of $70,000 for Grant R Miles were paid to: - Moore Australia (SA) Pty Ltd ($60,000); and - Rickaby Holdings Pty Ltd ($10,000) as stated in the Remuneration Report included in the Directors' Report.		
Moore Australia (SA) Pty Ltd, a company directed by Grant R Miles, the Company Secretary and Director, provided Company Secretary and accounting services to the Group.	**13,145**	23,113
Total	**19,791**	30,549

Notes to the Financial Statements

For the Year Ended 30 June 2022

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 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2022 $	2021 $
Financial assets at amortised costs			
Cash and cash equivalents	9	**12,987,942**	3,127,403
Financial assets	10	**100,662**	100,662
Trade and other receivables	11	**2,778,066**	2,330,993
Total financial assets at amortised costs		**15,866,670**	5,559,058
Financial liabilities at amortised costs			
Trade and other payables	17	**1,635,694**	1,393,702
Lease liabilities	16	**614,679**	1,072,900
Total financial liabilities at amortised costs		**2,250,373**	2,466,602

Objectives, policies and processes

The Board of Directors have 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.

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.

28 Financial Risk Management continued

(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.

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 a provision for impairment of receivables at 30 June 2022.

Trade and other receivables are all unrated.

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.

28 Financial Risk Management continued

(b) Liquidity risk continued

The Group's non-derivative financial liabilities have contract maturities as summarised below. The amounts below reflect the contractual undiscounted cash flows. Refer to Note 16 for the maturity analysis of lease liabilities.

	Within 1 Year		1 to 5 Years		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment						
Trade and other payables	**1,635,694**	1,393,702	**-**	-	**1,635,694**	1,393,702

The timing of expected outflows is not expected to be materially different from contracted cashflows.

Financial assets pledged as collateral

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

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.

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 and US dollars may impact on the Group's financial results unless those exposures are appropriately hedged.

Currently there are no hedges in place.

28 Financial Risk Management continued

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.

			Net financial assets /(liabilities) in AUD $			
	USD	**EUR**	**GBP**	**CAD**	**NZD**	**Total AUD**
2022	**$**	**$**	**$**	**$**	**$**	**$**
Consolidated						
Trade and other receivables	**1,614,711**	**158,830**	**869,022**	**9,885**	**28,492**	**2,680,940**
Trade and other payables	**(432,843)**	**(40,216)**	**(197,719)**	**-**	**-**	**(670,778)**
2021						
Consolidated						
Trade and other receivables	2,257,721	6,625	39,937	-	2,016	2,306,299
Trade and other payables	(518,787)	-	(59,363)	-	-	(578,150)

Forward exchange contracts

There were no outstanding forward exchange contracts as at 30 June 2022 or 30 June 2021.

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 0.69 US dollars, 0.57 UK pounds and 0.66 Euros.

If the Australian Dollar had strengthened and weakened against the US dollar, UK pound and Euro by +10% (30 June 2021: +10%) and -10% (30 June 2021: -10%) respectively then this would have had the following impact:

	2022		**2021**	
	+10%	**-10%**	**+10%**	**-10%**
USD				
Net results	**(566,049)**	**691,838**	(186,056)	227,402
Equity	**22,431**	**(27,416)**	(72,572)	88,699
GBP				
Net results	**(19,715)**	**24,097**	(23,603)	28,848
Equity	**11,667**	**(14,260)**	1,410	(1,724)
Euro				
Net results	**(3,859)**	**4,717**	(2,032)	2,484
Equity	**-**	**-**	-	-

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.

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 consolidated 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.

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.

	2022 $	2021 $
Statement of Financial Position		
Assets		
Current assets	**12,022,621**	8,911,125
Non-current assets	**17,973,209**	18,209,923
Total Assets	**29,995,830**	27,121,048
Liabilities		
Current liabilities	**15,150,893**	19,204,665
Non-current liabilities	**135,591**	233,422
Total Liabilities	**15,286,484**	19,438,087
Equity		
Issued capital	**35,798,079**	28,501,869
Accumulated losses	**(21,213,558)**	(20,943,733)
Share option reserve	**124,825**	124,825
Total Equity	**14,709,346**	7,682,961
Statement of Profit or Loss and Other Comprehensive Income		
Profit/(loss) for the year	**(83,069)**	127,921
Total comprehensive income	**(83,069)**	127,921

29 Parent entity continued

Guarantees

The parent entity has not entered into any guarantees as at 30 June 2022 or 30 June 2021.

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

Contractual commitments

The parent entity did not have any commitments as at 30 June 2022 or 30 June 2021.

30 Company Details

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

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

Notes to the Financial Statements
For the Year Ended 30 June 2022

31 Correction of prior period error

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

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

2021

1 July 2020		**Impact of correction**	
	As previously reported	**Adjustments**	**As restated**
Other current assets	512,242	676,829	1,189,071
Other non current assets	-	700,762	700,762
Total assets	19,945,096	1,377,591	21,322,687
Deferred tax liabilities	1,109,046	369,507	1,478,553
Total liabilities	9,903,773	369,507	10,273,280
Retained earnings	(17,819,740)	940,482	(16,879,258)
Minority interest	(331,348)	67,602	(263,746)

Notes to the Financial Statements
For the Year Ended 30 June 2022

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

Consolidated profit or loss

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

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

Directors' Declaration

For the Year Ended 30 June 2022

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2022 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in basis of preparation Note 1(a) to the consolidated 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 consolidated financial statements and notes for the financial year comply with the Accounting Standards; and

    c. the consolidated 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.

Director ....
Ed Reynolds

Director ....
Leanne Challans

Dated this 28th day of September, 2022

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Grant Thornton House
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Independent Auditor's Report

To the Members of Prophecy International Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Prophecy International Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue recognition – Note 1(m) and 2</td></tr>
<tr><td>The Group recorded revenue of $16,431,198 for the year ended 30 June 2022. Revenue is the key driver of the Group and is generated through multiple revenue streams including:
• License sales;
• Maintenance fees; and
• Consulting sales

The revenues are generated from providing diverse goods and services to its customers which require different types of revenue recognition in accordance with the accounting policies detailed in Note 1(m).

During the year a prior period error was identified relating to the accounting for incremental costs associated with obtaining customer contracts. A new asset has been created in the current and prior period to record the deferral of costs to obtain customer contracts.

The Group focuses on revenue as a key performance indicator and revenue is also a key driver by which the performance of the Group is measured. Revenue is a key audit matter due to the volume of transactions and the size revenue from operations.</td><td>Our procedures included, amongst others:
• Documenting the processes and assessing whether internal controls are designed effectively relating to revenue recognition under the five-step model of AASB 15 Revenue from Contracts with Customers ;
• Reviewing revenue recognition policies of individual customer agreements and contractual arrangements to ensure compliance with AASB 15;
• Testing a sample of revenue transactions by agreeing the amounts with contract terms, delivery of performance obligations and other supporting documentation;
• Analytically reviewing revenue streams against the prior corresponding period to identify and assess potential anomalies;
• Reviewing management's information and key estimates relating to incremental costs to obtain customer contracts;
• Testing the mathematical accuracy of the prior period error and impact on the financial statements; and
• Assessing the adequacy of the Group's disclosures within the financial statements.</td></tr>
<tr><td colspan="2">Recoverable amount of intangible assets
Notes 1(g), 1(t) and 15</td></tr>
<tr><td>At 30 June 2022, the carrying value of intangible assets was $7,016,817.

In accordance with AASB 136 Impairment of Assets, management is required to test intangible assets with indefinite useful lives and goodwill at least annually for impairment.

Management have tested for impairment by comparing the carrying amounts of the cash generating units (CGUs) with their recoverable amounts.

Recoverable amounts were determined using a value in use calculation. Value in use was determined by management by estimating the future cash inflows and outflows to be derived from the continuing use of the assets in the CGU and applying a discount rate, which is based on its weighted average cost of capital, to those future cash flows.</td><td>Our procedures included, amongst others:
• Documenting the processes and assessing whether internal controls are designed effectively relating to impairment considerations;
• Evaluating management's assessment of CGU's and whether they meet the definition as prescribed by AASB 136;
• Obtaining management's impairment assessment and discounted cash flow model and performing the following procedures:
– Identifying the key assumptions in the model;
– Obtaining evidence to support the key assumptions;
– Performing sensitivity analysis on the key assumptions;
– Testing the mathematical accuracy of the model;</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Recoverable amount of intangible assets Notes 1(g), 1(t) and 15 (Cont)	
This is a key audit matter due to the judgements and estimates required in determining the appropriate CGUs, allocating assets to CGUs and calculating the recoverable amount on a value in use basis.	– Testing management's ability to perform accurate estimates by comparing historical forecasts to current year performance; – Involving an auditor's expert to assess the reasonableness of the discount rate; and • Assessing the adequacy of the Group's disclosures within the financial statements.
Recognition of research and development tax incentive – Notes 1(r), 1(t) and 4	
The Group receives a research and development (R&D) refundable tax offset from the Australian government, which represents the corporate tax rate plus 18.5 cents in each dollar of eligible annual R&D expenditure in each dollar of eligible annual R&D expenditure if its turnover is less than $20 million per annum. Registration of R&D Activities Application is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash. Management reviewed the Group's total R&D expenditure to estimate the refundable tax offset receivable under the R&D tax incentive legislation. This area is a key audit matter due to the size of the accrual and the degree of judgment and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.	Our procedures included, amongst others: • Obtaining through discussions with management an understanding of the process to estimate the claim; • Utilising an internal R&D tax specialist to; – review the expenditure methodology employed by management for consistency with the R&D tax offset rules; and – consider the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria; • Comparing the nature of the R&D expenditure included in the current year estimate to the prior year's claim; • Testing a sample of R&D expenditure and agreeing to supporting documentation to ensure appropriate classification, the validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria; • Assessing the appropriateness of the financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' 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 and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Prophecy International Holdings Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 28 September 2022

Additional Information for Listed Public Companies

For the Year Ended 30 June 2022

ASX Additional Information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 28 September 2022.

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

		Ordinary shares	
Holding		**Shares**	**Options**
1 - 1,000		386	0
1,001 - 5,000		488	0
5,001 - 10,000		261	0
10,001 - 100,000		377	0
100,000 and over		69	0
	Total	**1581**	0

There were 222 holders of less than a marketable parcel of ordinary shares.

Additional Information for Listed Public Companies
For the Year Ended 30 June 2022

Rank	Twenty Largest Shareholders	Numbers Held	% of Ordinary
1.	BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAIL CLIENT DRP)	8,415,166	11.44%
2.	REYER INVESTMENTS PTY LTD (SUPER FUND A/C)	7,830,000	10.64%
3.	DUNMOORE PTY LTD	4,764,052	6.47%
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,230,793	5.75%
5.	NATIONAL NOMINEES LIMITED	3,884,251	5.28%
6.	CITICORP NOMINEES PTY LIMITED	3,392,674	4.61%
7.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,990,872	4.06%
8.	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,632,289	3.58%
9.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,155,250	2.93%
10.	MR STUART CRAIG GEROS+MRS MICHELLE DOROTHY GEROS (THE EMERALD POINT FAM A/C)	1,702,665	2.31%
11.	TEN TALENTS <FIVE TALENTS A/C>	1,206,935	1.64%
12.	HOLDEN HOLDEN + ASSOCIATES PTY LTD	1,021,875	1.39%
13.	MR PETER JOSEPH BARZEN	945,882	1.29%
14.	MS CHRISTINE A HOLDEN + MR BRIAN P TOWLER (CHRISTINE HOLDEN S/F A/C)	800,000	1.09%
15.	SMOOTHWARE PTY LTD	778,230	1.06%
16.	MRS L R CHALLANS + MR S W CHALLANS	774,880	1.05%
17.	CUSTODIAL SERVICES LIMITED (BENEFICIARIES HOLDING A/C)	757,734	1.03%
18.	MRS GLENIS NITA O'DONNELL	590,000	0.80%
19.	MR DARREL RAY SCHNEIDER <SCHNEIDER FAMILY JV A/C>	552,159	0.75%
20.	ANDAMAX INVESTMENTS PTY LTD	500,000	0.68%

Additional Information for Listed Public Companies
For the Year Ended 30 June 2022

Substantial Shareholders
Substantial shareholders in the company are set out below:

Name	Ordinary Shares	% held
BNP PARIBAS NOMINEES PTY LTD	8,415,166	11.44%
REYER INVESTMENTS PTY LTD (SUPER FUND A/C)	7,830,000	10.64%
DUNMOORE PTY LTD	4,764,052	6.47%

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.