



Prophecy

Consolidated Financial Statements

For the Half-Year Ended 31 December 2016

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Results For Announcement to the Market For the Period Ended 31 December 2016

This report should be read in conjunction with the 30 June 2016 Annual Financial Report of the consolidated entity.

1	Summary of results	% change	Direction	\$
	Revenue from ordinary activities	26%	down	5,946,852
	Profit from ordinary activities before tax attributable to members	83%	down	443,164
	Profit from ordinary activities after tax attributable to members	93%	down	122,015
	Profit from ordinary activities attributable to members (after non controlling interests)	93%	down	127,535

The Directors have decided not to pay an interim dividend for the half.

2 Explanatory information

For the six months to 31 December 2016, Prophecy has posted a profit before tax of \$443k. This compares with a profit of \$2.57 million before tax for the same period last year.

Revenues for the six months to 31 December 2016 were \$5.95 million – down 26% from the same period last year which recorded revenues of \$8.02 million.

The half year closed with a cash balance of \$1.2 million which was \$4.0 million lower than the cash balance at the same period last year.

3 Net Tangible Assets per Security

	2016 \$	2015 \$
Net Tangible Assets	(1,252,450)	397,533
Number of Securities	64,009,784	64,009,784
NTA per Security	(0.020)	0.006

4 Changes in Controlled Entities

None

The reviewed financial statements for the period ended 31 December 2016 are attached

Prophecy International Holdings Limited and Controlled Entities

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Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Review of Operations & Results of Operations For the Half Year Ended 31 December 2016

FINANCIALS

For the six months to 31 December 2016, Prophecy has posted a profit before tax of \$443k

This compares with a profit of \$2.57 million before tax for the same period last year.

The six month underlying EBITDA was \$1.0 million compared to \$3.1 million in 2015. This is a decrease of 68% over last year.

Revenues for the six months to 31 December 2016 were \$5.95 million, compared to \$8.0 million last year. This is a decrease of 26% over the previous year comparison.

	Snare	eMite	Legacy	Group
Revenue Recognised (\$M)	3.3	.9	1.7	5.9
% Change	-13%	-65%	+6%	-26%
EBITDA (\$M)	1.5	-0.9	0.4	1.0
% Change	-32%	-213%	+300%	-68%

The half year closed with a cash balance of \$1.2 million which was \$4.0 million lower than the cash balance at the same period last year.

The Directors have decided not to pay an interim dividend for the half.

SALES PROGRESS

Snare

SNARE operates in the Security Incident & Event Management (SIEM) sector of the cyber security market, and is a key component of an organisation's overall cyber security defence strategy. SNARE records all computer device events (log data) and is then able to filter for required key events, forward that information to multiple locations, store and analyse the data, and report and provide alerts upon detecting intrusion or unusual behaviours. SNARE complements protection strategies and enhances the operation of a total site SIEM solution. A SNARE installation consists of individual SNARE agents that can operate on every computer device, collecting the raw activity data which is then filtered, encrypted and compressed before being forwarded to one or more central locations. One or more SNARE servers operate centrally to analyse and correlate all the collected data and provide alerts and analysis related to intrusion or unusual activity.

SNARE revenues were \$3.3 million for the half compared to \$3.8 million for the same period last year, reflecting a tougher sales climate in the period. The number of sales transactions was down 7% for the half compared to last year, but a decrease in the number of larger sales brought revenue down some 15%. We continue to focus on the expansion of partner activity, plus improvements in close rates and deal size for our direct sales to boost SNARE results. New IBM QRadar partners have been signed to assist in the push for more sales through partners.

The SNARE team has been invited to present at the upcoming IBM InterConnect conference in Las Vegas during March. This activity provides SNARE with great additional exposure in the IBM QRadar market space.

Recent additional SNARE sales include Time Inc, Safeway Inc, Georgia State University, NASA, Travelex, AMEC Foster Wheeler, US Navy, Duke Energy, Lifespan Corporation, and Veolia.

Prophecy International Holdings Limited and Controlled Entities

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Review of Operations & Results of Operations

For the Half Year Ended 31 December 2016

Legacy Systems

Legacy software revenues came in at \$1.7 million compared to \$1.6 million last year, as a result of buoyant revenues from the basis2 billing system customers. The Legacy systems are expected to be stable over the full year with the higher billing system revenues covering any declines from the other older systems.

eMite

eMite is a real-time dashboard solution designed to dramatically enhance business performance. It aggregates and correlates data from multiple business sources, including third-party tools and legacy systems, to deliver both historical and 'live' actionable insights in a simple, visual format that can be easily customized for different business users. Through slick features and a very modern interface, eMite provides users with the clarity they need to drive ongoing operational improvements that deliver genuine competitive advantage. eMite is now used in contact centres and within service desks spanning five continents.

eMite revenues came in at just under \$1 million compared to \$2.6 million for the same period last year. eMite is in a transition phase as we continue to work to move the business to subscription licensing and build a strong recurring revenue base for the future. This move has impacted short term revenues as expected. A successful subscription based business typically starts slowly, but increases significantly as new sales build on the existing recurring base month by month

Recent new eMite customers for the ININ package include Touchcorp, Employsure, BMW Financial Services, Diabetes Victoria and Deakin University from Australia, Grupo Monge from South America, Entrust Energy from the USA and L'Olivier Assurances from France. New eMite partners have been signed in Australia, New Zealand, USA, Europe and Asia and their activity is now reflected in the sales prospect pipeline. eMite has been invited to exhibit and present at the Genesys APAC partner conference on the Gold Coast later this month thus providing a large additional exposure for our solution.

OUTLOOK

eMite

As previously announced, the eMite strategy has been to move from perpetual licences which were low volume and high services sales engagements to annuity based, high volume sales with low service commitments. To achieve this, the eMite platform was transformed to be able to run in the Cloud with implementation times reduced from weeks to less than a day. Amazon Web Services were chosen as the preferred cloud hosting vendor to allow cloud implementation in key geographical regions. The eMite cloud solution is now available on Amazon's AWS platform in Australia, New Zealand, USA, Europe and Japan with customers running live in each region.

A large amount of additional technical work has now been completed to allow the full and deep integration of the eMite Advanced Analytics and Reporting solution with both Interactive Intelligence, a world leading contact centre management application and Cherwell Software, a leading service desk management application. With the full integrations in place, eMite has now begun to gather momentum towards the finalisation of partner agreements that will allow the eMite Advanced Analytics and Reporting solution to be sold by the worldwide sales forces of each partner and so maximise the opportunities available within these large customer bases. eMite now is able to complement and extend third party software vendors' core solutions with new real time dashboards and analytics.

The market for this type of solution is very large, as eMite is capable of working in this way with all major third party products. eMite has concentrated on two key areas to begin with, and has been able to prove its worth in both the contact centre management application space and the IT service management application space. Additional market spaces are now starting to be addressed, providing a wider appeal for eMite. Via the sales forces and partners of our third party software vendors, eMite is working to compound its annuity licence fees to build a very solid growth of locked in revenue on a monthly basis for the future.

The eMite Advanced Analytics and Reporting overlay for Snare has now been developed and has moved to the beta testing stage. This will greatly enhance the capability of the SNARE solution in the area of analytics and provide an avenue for further eMite solution sales.

Prophecy International Holdings Limited and Controlled Entities

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Review of Operations & Results of Operations For the Half Year Ended 31 December 2016

Snare

SNARE software deployment ranges from small installations of 10 endpoints right through to full enterprise deployment of 100,000 or more endpoints. SNARE now has over 2000 supported customer sites and an open source (unsupported) community estimated to be 100,000 sites. SNARE is very much cross industry with every conceivable industry type represented within our customer base. The customer names are a who's who of business and government organisations. SNARE has sold very well in North America and Europe and runs in most countries around the world. The SNARE software runs on servers, PCs, workstations, desktops and laptops, at work and at home, on land, in the air and under the sea.

The greatest potential for SNARE growth is in partnering with the major players in the security field and feeding their systems with the all important raw data from SNARE. Players of interest include Dell Secureworks, NTT, IBM, HP, RSA, Splunk and LogRhythm. SNARE aims to grow partner sales such that we achieve 50% of SNARE sales via partner activity with the rest coming from direct sales activity. We have established very good relationships with IBM and work very well with their QRadar security product. There are now some 60 sites that run SNARE with QRadar, but worldwide, there are over 5000 QRadar sites that could potentially utilise SNARE, providing excellent potential growth for SNARE via IBM partner activity. SNARE now exists in some 300 Dell Secureworks sites, but potentially there are 6000 such customers that could utilise a similar SNARE solution. Our base of 100,000 Open Source customers is now starting to provide an avenue for conversion to the supported Enterprise version of SNARE supporting further growth.

Our SNARE go to market strategy involves continued direct sales activity with a focus on North America and Europe plus an added vertical market focus to build on existing strengths. We have a strong focus on account management to look for additional sales within our base of 2000 customers. Our focus here is on extending the reach of SNARE down to the desktop level, which currently has quite a small penetration. Partners form a large part of our strategy and we have built a strong partners team now in both North America and more recently in Europe. We look forward to a string of new partners particularly in Europe where activity has been quieter. We are building strong alliances across the board. Strategic alliances being worked on include IBM, HP, Symantec and EMC. Technology alliances at solution level include IBM QRadar, Arcsight and RSA. MSSP alliances include NTT, Verizon and AT&T.

Prophecy is currently undertaking a search process to find and appoint a growth-oriented CEO. The building blocks are now in place to be able to grow our business to the next level and key staff will be needed to achieve each stage of this process. The right leader will ensure that we can maximise our success over the next few years of expansion.

Prophecy International Holdings Limited and Controlled Entities

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Directors' Report

For the Half Year Ended 31 December 2016

The directors submit the financial report of the Group for the half year ended 31 December 2016.

1. General information

Information on directors

The names of each person who has been a director during the half year and to the date of this report are:

- Ed Reynolds
- Leanne R Challans
- Matthew Michalewicz
- Grant Miles

2. Operating results and review of operations for the half year

Review of operations

A review of the operations of the Group during the half year and the results of those operations is shown on page 1 of this report.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2016 has been received and can be found on page 5 of the consolidated financial report.

This report is signed in accordance with a resolution of the Board of Directors.

Director: .....
Ed Reynolds

Director: .....
Leanne R Challans

Dated 23 February 2017

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Prophecy International Holdings Limited for the half-year ended 31 December 2016, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 23 February 2017

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Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2016

	31 December 2016	31 December 2015
	\$	\$
Revenue	5,946,852	8,016,345
Other income	33,334	135,307
Employee benefits expense	(3,582,704)	(3,423,830)
Depreciation and amortisation	(590,459)	(549,582)
Other expenses	(1,362,470)	(1,612,571)
Finance costs	(1,389)	(48)
Profit before income tax	443,164	2,565,621
Income tax expense	(321,149)	(792,943)
Profit for the half year	122,015	1,772,678
Other comprehensive income, net of income tax		
Items that will be reclassified to profit or loss when specific conditions are met		
Exchange differences on translating foreign controlled entities	(46,188)	(28,990)
Other comprehensive income for the year, net of tax	(46,188)	(28,990)
Total comprehensive income for the year	75,827	1,743,688
Profit attributable to:		
Members of the parent entity	127,535	1,751,456
Non-controlling interest	(5,520)	21,222
	122,015	1,772,678
Total comprehensive income attributable to:		
Members of the parent entity	81,347	1,722,466
Non-controlling interest	(5,520)	21,222
	75,827	1,743,688
Earnings per share		
Basic earnings per share (cents)	0.20	2.80
Diluted earnings per share (cents)	0.20	2.80

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Financial Position

As At 31 December 2016

	31 December 2016 \$	30 June 2016 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,238,884	1,869,140
Trade and other receivables	1,774,137	3,281,692
Work in progress	-	30,959
Other assets	169,368	126,628
TOTAL CURRENT ASSETS	3,182,389	5,308,419
NON-CURRENT ASSETS		
Trade and other receivables	7,779	7,581
Property, plant and equipment	312,415	334,949
Deferred tax assets	373,428	373,921
Intangible assets	17,526,514	17,662,487
TOTAL NON-CURRENT ASSETS	18,220,136	18,378,938
TOTAL ASSETS	21,402,525	23,687,357
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	417,999	836,740
Current tax liabilities	333,388	614,723
Employee benefits	889,446	880,390
Other financial liabilities	2,807,266	3,387,079
TOTAL CURRENT LIABILITIES	4,448,099	5,718,932
NON-CURRENT LIABILITIES		
Deferred tax liabilities	602,203	429,898
Employee benefits	78,159	60,094
TOTAL NON-CURRENT LIABILITIES	680,362	489,992
TOTAL LIABILITIES	5,128,461	6,208,924
NET ASSETS	16,274,064	17,478,433
EQUITY		
Issued capital	28,469,564	28,469,564
Reserves	(270,914)	(224,726)
Retained earnings	(11,713,827)	(10,561,166)
Total equity attributable to equity holders of the Company	16,484,823	17,683,672
Non-controlling interest	(210,759)	(205,239)
TOTAL EQUITY	16,274,064	17,478,433

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Changes in Equity For the Half-Year Ended 31 December 2016

31 December 2016

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	28,469,564	(10,561,166)	(349,551)	124,825	(205,239)	17,478,433
Profit attributable to members of the parent entity	-	127,535	-	-	-	127,535
Profit attributable to non-controlling interests	-	-	-	-	(5,520)	(5,520)
Total other comprehensive income for the year	-	-	(46,188)	-	-	(46,188)
Dividends paid or provided for	4	(1,280,196)	-	-	-	(1,280,196)
Balance at 31 December 2016	28,469,564	(11,713,827)	(395,739)	124,825	(210,759)	16,274,064

31 December 2015

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	18,959,464	(10,274,988)	(244,681)	124,825	(219,044)	8,345,576
Profit attributable to members of the parent entity	-	1,751,456	-	-	-	1,751,456
Profit attributable to non-controlling interests	-	-	-	-	21,222	21,222
Total other comprehensive income for the year	-	-	(28,990)	-	-	(28,990)
Shares issued during the year	2,454,100	-	-	-	-	2,454,100
Shares issued in consideration of business combinations	7,056,000	-	-	-	-	7,056,000
Dividends paid or provided for	4	(1,408,215)	-	-	-	(1,408,215)
Balance at 31 December 2015	28,469,564	(9,931,747)	(273,671)	124,825	(197,822)	18,191,149

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2016

	31 December 2016	31 December 2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	6,801,165	8,913,382
Payments to suppliers and employees	(5,104,230)	(5,865,792)
Interest received	2,679	32,324
Income taxes paid	(453,835)	(397,089)
Net cash provided by operating activities	<u>1,245,779</u>	<u>2,682,825</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(36,405)	(182,530)
Payments in respect of business combinations, net of cash acquired	-	(3,626,230)
Development expenditure	(394,394)	(324,444)
Net cash used by investing activities	<u>(430,799)</u>	<u>(4,133,204)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	-	2,530,000
Payment for capital raise	-	(75,900)
Dividends paid by parent entity	(1,280,196)	(1,408,215)
Net cash (used in)/provided by financing activities	<u>(1,280,196)</u>	<u>1,045,885</u>
Net increase/(decrease) in cash and cash equivalents held	(465,216)	(404,494)
Cash and cash equivalents at beginning of year	1,869,140	5,602,812
Effects of foreign exchange rates on overseas cash holdings	(165,040)	(40,982)
Cash and cash equivalents at end of the half year	<u>1,238,884</u>	<u>5,157,336</u>

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2016 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Prophecy International Holdings Limited and Controlled Entities and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

2 Capital and Leasing Commitments

The following lease commitments were entered into since June 2016.

	2016
	\$
Minimum lease payments under non cancellable operating leases:	
– Within one year	150,720
– Between one year and five years	<u>113,040</u>
	<u>263,760</u>

This lease relates to the eMite premises in Sydney.

eMite Pty Ltd, a controlled entity, has provided a guarantee to a third party in respect of property lease rentals. The maximum amount payable is \$84,320.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

3 Operating Segments

(a) Segment performance

	Legacy		Snare		eMite		Total	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
External sales	1,704,820	1,579,531	3,329,333	3,828,875	910,020	2,575,615	5,944,173	7,984,021
Other revenue	1,109	24,560	124	3,692	1,446	4,072	2,679	32,324
Total segment revenue	1,705,929	1,604,091	3,329,457	3,832,567	911,466	2,579,687	5,946,852	8,016,345
Segment operating profit	439,998	30,014	1,293,688	2,132,938	(1,290,522)	402,669	443,164	2,565,621

(b) Segment assets

	Legacy		Snare		eMite		Total	
	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June
	2016	2016	2016	2016	2016	2016	2016	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Segment assets	29,013,142	26,543,210	4,003,285	4,316,133	405,009	1,290,740	33,421,436	32,150,083

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements For the Half-Year Ended 31 December 2016

3 Operating Segments continued

(c) Reconciliations

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.

	31 December 2016 \$	31 December 2015 \$
Segment net operating profit	443,164	2,565,621
Income tax expense	(321,149)	(792,943)
Total net profit after tax	<u>122,015</u>	<u>1,772,678</u>

4 Dividends

Distributions paid/provided for

No dividend proposed for the Half Year (2015: 2.0)

Final fully franked ordinary dividend declared and paid on 8 October 2016 of 2.0 (2015: 2.2) cents per share

Total

-	1,280,196
<u>1,280,196</u>	<u>1,408,215</u>
<u>1,280,196</u>	<u>2,688,411</u>

5 Interests in Subsidiaries

Composition of the Group

	Country of Incorporation	Percentage Owned (%)* At 31 December 2016	Percentage Owned (%)* At 30 June 2016
Subsidiaries:			
Promadis Pty Ltd	Australia	100.0	100.0
Intersect Alliance International Pty Ltd	Australia	100.0	100.0
Prophecy International Pty Ltd as trustee for CSP Unit Trust	Australia	100.0	100.0
Prophecy R&D Pty Ltd	Australia	100.0	100.0
Prophecy Americas' Inc	United States	93.1	93.1
Prophecy Europe Limited	United Kingdom	100.0	100.0
eMite Pty Ltd	Australia	100.0	100.0

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries. Each subsidiary's country of incorporation is also its principal place of business.

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Half-Year Ended 31 December 2016

6 Contingencies

Prophecy is in dispute over a claim made by a supplier related to historical services provided. This claim has not progressed to a court claim and Prophecy maintains a very strong position of no liability outstanding related to the claim. A mediation process has been accepted by both parties to resolve the outstanding issues.

7 Events Occurring After the Interim Period

No matters or circumstances have arisen since the end of the financial half 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.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Directors' Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 6 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. 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 R Challans

Dated 23 February 2017

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

We have reviewed the accompanying half-year financial report of Prophecy International Holdings Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Prophecy International Holdings Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and of Prophecy International Holdings Limited are responsible for the preparation of the half-year financial report that gives a true and fair of the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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As the auditor of Prophecy International Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

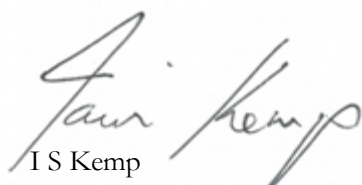
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prophecy International Holdings Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 23 February 2017