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**PROPHECY**

**2023**

**2024**

annual report



**PROPHECY** International Holdings Limited

**Prophecy International Holdings Limited and Controlled Entities**

ABN: 16 079 971 618

**Corporate Directory**  
**For the Year Ended 30 June 2024**

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ABN 16 079 971 618

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**Corporate Governance Statement**  
<http://www.prophecyinternational.com/wp-content/uploads/00-PRO-2024-Corporate-Governance-Statement.pdf>

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## Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

### Company Profile

For the Year Ended 30 June 2024

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 groups – perimeter 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, and Applications.

Enterprise tools include 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 2024**

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 delivers 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 files 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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## **Letter from the CEO**

### **For the Year Ended 30 June 2024**

Dear Shareholders,

I am pleased to present the FY24 Annual Report for Prophecy International Holdings Ltd, reflecting on our Company's achievements over the 12 months to 30 June 2024 and providing our outlook for the financial year ahead. I am proud to report that the past year has seen Prophecy build on its solid foundations to reach a larger set of global customers than ever before through our lead products, emite and Snare.

This year Prophecy achieved several significant milestones on its growth journey to realise our company's ambition: to become a globally significant software business based in Australia with global operations in Cyber Security and Customer Experience (CX). At its heart, Prophecy remains a data company that empowers its customers to make better decisions, faster in these two domains.

Our long-term strategic vision is guided by our four pillars of excellence in product innovation, sales & marketing, operational efficiency and improving the user experience for our customers. Focusing on these pillars in FY24 allowed us to grasp the next set of what we view as significant future global growth opportunities.

In FY24 we delivered another record year of sales as the group achieved \$22.9M in revenue. This marked an increase of 17% from FY23, a new high watermark in the company's long history, and another step forward to demonstrating global significance to Prophecy's partners, customers and investors.

We are serving large global markets through our focused product suite. The segment within the Cloud Contact Centre market that we serve through emite — Contact Centre Analytics — is projected by Verified Market Research to grow to be worth US\$2.9B by 2027. Through Snare, we are addressing even larger opportunities, with MarketsAndMarkets forecasting that the Security Analytics Market will grow to be worth US\$18.1B this year, and KBV Research expecting the Log Management Market to grow to USD\$3.3B by next year. These positive market tailwinds remain supportive of our continued expansion in Cloud Data Management, CX Analytics and Cyber Security.

The continued maturation of the Cloud CX market presents a fertile environment for growth in our revenue and customer acquisition activities for emite, our contact centre analytics solution. Emite has an almost 100% channel-based go-to-market strategy driven by key partnerships with Genesys and Amazon Connect from AWS, as well as relationships that we have built with many implementation partners, resellers and system integrators including Telstra, Optus, NTT, BT, ConvergeOne and Kerv.

Prophecy's newly developed Integration Platform as a Service (iPaaS) solution for emite enabled the Company to address more of the CX marketplace over the course of FY24 and we expect to press this advantage further in FY25. iPaaS for emite allows us to include other vendor tools with Genesys and Amazon Connect and also open this new integration capability to the entire CX ecosystem, addressing opportunities such as CXOne, ZenDesk, TalkDesk and others.

Our FY24 growth initiatives allowed us to deliver a 22% annual increase in emite's contracted annualised recurring revenue (ARR) to \$18.2M. This reflected sales to a broad range of high-profile new customers, including several organisations across the Middle East, as well as a 6-year, \$10.7M contract signed in H2 FY24 to provide emite to Optus Networks Pty Ltd for Services Australia as part of Services Australia's migration from its legacy on-premise contact centre to a new cloud-based CXOne platform. We are pleased by the scale of the sales opportunities that have come to us through our Master Supply Agreement with Optus, and view this style of partnership as a blueprint to deliver further diverse, high-margin growth.

Our cybersecurity software business, Snare, continued to gain scale in FY24 with new features and key customer wins in multiple geographies. Across subscriptions and maintenance renewals, Prophecy grew its contracted Snare revenue by more than 34% in FY24, with 83% growth in Snare subscription sales as we continued to execute our strategic shift towards subscription-based engagements.

Amongst a flurry of partner activity in FY24, we were most excited by progress under our strategic partnership with Devo Technology, a US-based security data analytics company with operations in North America, Europe and Asia Pacific. Through this collaboration, Devo has adopted Snare as its new endpoint agent to enhance data coverage and visibility across the Devo Security Data Platform.

## **Letter from the CEO**

### **For the Year Ended 30 June 2024**

This marks a newfound ability for Prophecy to offer ingestion-based pricing for Snare, which opens the potential for Prophecy to secure additional Snare partnerships with original equipment manufacturers and managed security service providers through an ingestion-based pricing offer. This partnership has brought Prophecy new contracted ARR of \$2.6M since launching in January 2024, and we expect to continue to gain scale with lighter selling effort required through this and similar potential distribution partnerships.

The success of our increasingly recurring-focused revenue model, and the sales and partnership achievements across our business in FY24, drove Prophecy's group contracted annualised recurring revenue to new highs, reaching \$28.4M — reflecting year-on-year growth of 22%.

Our business generated positive cash flow in the second half of FY24, with our efficient conversion of revenue into cash receipts providing Prophecy with a closing cash balance of \$11.7M as at 30 June 2024 and no debt, providing healthy financial backing with which to pursue our growth objectives.

As an Australian exporter taking home-grown software to the world, we were proud to be recognised in late 2023 as a joint winner of the Austrade Exporter of the Year for Advanced Technology. This is well-earned recognition for Prophecy's dedicated employees and management, whose hard work and commitment have been instrumental in the success of our company.

On a personal level, I was also proud to have Prophecy support Australia's athletes competing in the Paris Paralympic Games through my role as a Committee Member on the Paralympics Australia Technology and Cyber Committee. We were grateful for the opportunity to help defend the data and systems of Paralympics Australia, and are proud to support and celebrate the spirit, resilience, and triumphs of Australia's Para-athletes.

As a globally distributed and diverse company with a growing global footprint, we remain aligned to some very significant multi-year industry growth trends in cloud migration and have established clear points of competitive advantage for both of our lead products. We continue to invest prudently to address the growth opportunities at hand through our world-class teams in sales, marketing and product development.

Our strategies of driving subscription licensing and pursuing organic growth across our two lead products globally, while leveraging significant industry ecosystems and partnerships, continues to underpin the success of our business. We will continue to explore new market opportunities and forge further strategic partnerships to expand our customer base and drive revenue growth.

We will also continue to deliver new capabilities, accelerating both Snare and emite product roadmaps as we develop new revenue streams to complement our existing products. We will continue our transition towards SaaS & subscription sales as we focus on driving organic growth through renewal, retention, upsell and cross sell. With multi-year industry tailwinds ahead, strong market positions and diverse streams of recurring revenue flowing from our essential service segments of cybersecurity and cloud contact centres, we look forward to delivering scalable and increasingly profitable growth in the year ahead.

I would like to thank our loyal customers and suppliers for their continued backing and partnership. I am also grateful for our Board of Directors' counsel, support and guidance. The company's strategic and operational achievements belong to the significant efforts contributed by all of Prophecy's people.

Finally, I would like to express my sincere gratitude to our shareholders for your support and belief in Prophecy. We have set the stage for an exciting year ahead and look forward to having you share our journey of growth and success.



**Brad Thomas OAM PLY MAICD MAISA**  
Chief Executive Officer

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Review of Operations

### For the Year Ended 30 June 2024

Prophecy International Holdings Ltd is pleased to announce its results for the year ended 30 June 2024 (FY24), confirming another record year for the Company with a 17% increase in revenue to \$22.9M and a 28% increase in contracted annualised recurring revenue (ARR) to \$28.4M (excluding legacy).

Prophecy International is a pure play business-to-business (B2B) and business-to-government (B2G) software and SaaS company servicing enterprise and government customers globally. Prophecy's customers are typically mid to large corporate companies in regulated industries, located anywhere in the world, State and Federal Governments, military and defence agencies. In the commercial world Prophecy is particularly relevant in the Banking & Finance; Insurance; Energy, Oil & Gas; Utilities; Health, Retail and Technology sectors.

The Company goes to market efficiently with both direct sales and also through channels and partner relationships with some of the biggest IT companies in the world. Prophecy was proud to be named as joint winner of the Austrade Exporter of the Year for Advanced Technology in 2023.

### FY24 Financial Highlights

- Revenue up 17% on previous corresponding period (PCP) to \$22.9M in FY24 – a record year for the company (FY23 - \$19.6M)
- 28% growth on PCP in contracted annualised recurring revenue to \$29.7 million as at 30 June 2024
  - 22% increase on PCP of emite contracted ARR to \$18.2M
  - 83% increase on PCP in Snare subscriptions to \$7.7M, as Snare continues to transition its revenue model towards primarily recurring subscription sales
- Invoicing up 15% on PCP to \$26.1M in FY24, continuing efficient conversion of revenue into cash receipts
- Market tailwinds positive for continued expansion in Cloud Data Management, CX Analytics and Cyber Security
- Cash flow breakeven on PCP with closing cash balance of \$11.8M as at 30 June 2024

| Performance     | FY23 Result | FY24 Result | YoY change |
|-----------------|-------------|-------------|------------|
| Revenue         | \$19.6M     | \$22.9M     | +17%       |
| Contracted ARR  | \$23.2M     | \$28.4 M    | +22%       |
| Invoicing       | \$22.6M     | \$26.1M     | +15%       |
| Cash Flow       | (\$1.3M)    | \$0.0M      | +\$1.3M    |
| Cash Balance    | \$11.7M     | \$11.7M     | +0%        |
| NPAT            | (\$2.5M)    | (\$4.2M)    | -\$1.7M    |
| Deferred Income | \$9.7M      | \$11.4M     | +17%       |
| Debt            | Zero        | Zero        | No change  |

In FY24, Prophecy continued to focus on delivering organic growth through its two primary product lines, emite and Snare.

Emite is the Company's full featured SaaS-based analytics platform targeted at the Customer Experience (CX) market. Emite helps Prophecy's 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.

Snare is the Company's cybersecurity software product line. Through Snare, the Company provides critical government recommended or mandated security controls, including cyber threat detection, security information and event management (SIEM), alerting, forensics and centralised log management.

## Prophecy International Holdings Limited and Controlled Entities

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### Review of Operations

#### For the Year Ended 30 June 2024

Consistent sales growth continues to underpin growth in the Company's base of recurring revenue. As at 30 June 2024, the Company's base of contracted ARR had grown to \$28.4M, up 22% YoY.

The Snare business continues to transition well to a primarily subscription-based model, with Snare subscription revenue up 83% YoY. Although this change impacts revenue recognition and invoicing cashflow, the subscription model has been received well by customers and enhances the sustainability and scalability of Prophecy's business model.

A major cost contributor in FY24 was a significant increase in hosting costs across both of our major providers. Hosting contributes to both Cost of Goods Sold (COGS) and operating expenses as the company hosts all internal IT in Oracle Cloud Infrastructure (OCI) and emite customers in both OCI and AWS cloud. This increase in hosting was the primary contributor to the final COGS and Expense number and is one of the reasons that the company is investing in a new version of the emite application with a new architecture to remove approximately \$700K per annum in Microsoft Licencing as well as reduce overall hosting costs by moving to a shared infrastructure and ultimately to full multitenancy.

Prophecy continues to efficiently convert revenue into cash receipts, invoicing \$26.1M in FY24, +15% YoY. The Company achieved cash flow breakeven during FY24 and generated positive operating cash flow in H2 FY24.

The Company remains debt free with adequate financial flexibility to pursue its growth objectives, with a cash position at 30 June 2024 of \$11.7M and receivables of \$2.9M.

#### Emite Sales and Operational Highlights

Emite has an almost 100% channel-based go-to-market strategy driven by key partnerships with Genesys and Amazon Connect from AWS. The Company has also developed relationships with many implementation partners, resellers and system integrators including Telstra, Optus, NTT, BT, ConvergeOne and others. As a product that is delivered as SaaS, emite hosts its SaaS customers globally on both AWS and Oracle Cloud, and emite continues to be a Platinum AppFoundry partner for Genesys.

Prophecy's focus on international marketing through both the Genesys and Amazon Connect contact centre technology ecosystems continues to deliver growth in contracted sales for emite.

Prophecy's release in June 2023 of an Integration Platform as a Service (iPaaS) solution for emite enables the Company to address more of the CX marketplace, include other vendor tools with Genesys and Amazon Connect and open this new integration capability to the entire CX ecosystem, addressing opportunities such as CXOne, ZenDesk, TalkDesk and others. The Company's iPaaS also enables Prophecy to provide its leading analytics capabilities alongside more Contact Centre as a Service (cCaaS) solutions and expand into the wider data integration market.

New emite customer contracts signed in FY24 pushed emite revenue to record levels, adding aggregate 1st year contract value (1CV) of \$5.9M, representing a 41.5% increase on PCP. This growth was supported by a 6-year, \$10.7 million contract signed in H2 FY24 to provide emite to Optus Networks Pty Ltd for Services Australia as part of Services Australia's migration from its legacy on-premise contact centre to a new cloud-based CXOne platform. This marks another significant opportunity sourced under Prophecy's Master Supply Agreement (MSA) with Optus, announced to the ASX on 31 August 2022, with the agreement representing a net increase of approximately \$1.1M in ARR to emite once deployed.

FY24 emite revenue growth also included upsells to Humana and Airbnb, plus sales to a broad range of high-profile new customers, including several organisations across the Middle East:

- Australian Tax Office
- Service NSW
- Colonial First State
- Cochlear
- Macy's
- Just Eat Takeaway.com – emite's first significant direct customer contract (i.e. not through Prophecy's channel partnerships with Genesys and Amazon Connect) and an early paying customer of emite for its new iPaaS solution
- NZ Inland Revenue (NZ Govt)
- Abu Dhabi Commercial Bank (UAE)
- Al Hilal Islamic Bank (UAE)
- Dubai Health Authority (UAE)
- Dallah Health (Saudi Arabia)

## Prophecy International Holdings Limited and Controlled Entities

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### Review of Operations

#### For the Year Ended 30 June 2024

- Motorizzazione Civile de Roma (Italian Govt)
- Transat (Canadian airline)
- The City of San Diego

In the June quarter, Prophecy commenced a new approach to emite to enable greater scale for large customers and to improve efficiency and reduce COGS, thus increasing future gross margins. This development will be capitalised on the balance sheet.

The Company attended a key emite customer event in May, Genesys Xperience in Denver, which provided an ideal opportunity to market the iPaaS solution. Prophecy also took part in the Amazon Connect User Group event in London and the Genesys Partner Conference in Asia which both provided ideal opportunities to market the iPaaS solution and support sales growth.

#### Snare Sales and Operational Highlights

The Company continued to deliver Snare to its contracted government and enterprise customers across multiple geographies, while continuing to build on its momentum in the Middle East.

In FY24, the Company signed new Snare contracts with enterprise clients headlined by:

- Verizon
- Charles Schwab
- Occidental Petroleum (upsell)
- Investcorp (UK financial services)
- Gibson Dunn (US legal services)
- Broadview Federal Credit Union
- Ineos Europe
- The Office of the Israeli Prime Minister
- Kuwait Oil Company

Many regulation and compliance mandates call for strong security monitoring tools, and Snare helps customers achieve regulatory compliance in areas like Sarbanes Oxley, NERC, HIPAA, PCI DSS and more. These new customer engagements generated sales of \$5.7M of both perpetual and annual subscription contracts and indicate the breadth of Snare's appeal across a range of global regulated and critical industries, including banking & finance, energy, oil, gas and utilities, retail and health as well as government.

Across subscriptions and maintenance renewals, Prophecy grew its contracted Snare recurring revenue by more than 34% in FY24. The results reflect a continued strategic shift towards subscription-based engagements. During the year, 83% of new Snare sales were made on a subscription basis rather than under a perpetual license model.

#### Legacy Products

Only 2 customers remained on legacy products during the year and both have now migrated away from these outdated platforms and products. Legacy customer agreements have been finalised and there will be no further legacy revenue after the close of FY24.

#### Partner Activity

During H1 FY24, Oracle commenced promotion of Snare and emite to its customers and partners through its Global Co-Sell Program. The partnership provides Prophecy with privileged access to more than 430,000 Oracle customers and has begun to accelerate Prophecy's global business development.

The Company is pleased with progress to date under its partnership with Oracle to co-sell its products. As one of only five independent software vendors from the APAC region chosen for Oracle's Global Co-Sell Program, Prophecy is able to benefit from Oracle financially incentivising its sellers and partners to promote Snare and emite to their own customers and partners.

## **Review of Operations**

### **For the Year Ended 30 June 2024**

In H2 FY24, Prophecy signed a new emite North American distribution partnership with Voxai Solutions. Based in Texas, Voxai is a specialised solution integrator for Genesys products, providing best-in-class solutions and services to manage, transform, and enhance the customer experience (CX) journey. Founded in 2005, Voxai is a two-time Genesys North America Growth Partner of the Year (2022 and 2023) and was recognised by publisher CIO Applications as a top CX solutions provider of 2022. The partnership will see Voxai distribute emite to its customers which span a range of industry sectors, including Government, Utilities, Retail, Healthcare, Transport, Education, Business Services and Financial Services.

During the year Prophecy also finalised a strategic partnership with Devo Technology ("Devo"), a US-based security data analytics company with operations in North America, Europe and Asia Pacific. Through this collaboration, Devo has adopted Snare as its new endpoint agent to enhance data coverage and visibility across the Devo Security Data Platform.

For Prophecy, this partnership marks the commencement of its ability to offer ingestion-based pricing for Snare, opening the potential for Prophecy to secure additional partnerships with original equipment manufacturers and managed security service providers through an ingestion-based pricing offer. Furthermore, access to Snare is now included with all new and existing Devo subscriptions. This presents a significant revenue opportunity for Prophecy without the need to complete conventional buying cycles.

Prophecy has now generated additional Snare contracted ARR of \$2.6 million through this partnership. This includes data volumes ingestion for existing Devo customers, plus newly added customers, as well as upgrades sold to incorporate additional Snare modules. Devo and Prophecy intend to migrate all of Devo's existing and new customers to Snare, with the majority of customers expected to be migrated by the end of FY25 and thus most revenue through this partnership is expected to commence in this financial year.

Prophecy continues to expect Devo to increase the Company's growth rate of contracted ARR, with new Snare revenue anticipated to track Devo's total revenue growth rate once fully deployed. Following the successful start to its partnership with Devo, the Company has identified the potential to establish similar OEM relationships with Security Analytics and SIEM vendors and managed security service providers.

The Devo relationship complements other recently signed Snare distribution partnerships, like Carahsoft Technology Corp, Prophecy's first Snare distributor in the US with a focus on government and defense.

An increasing amount of Prophecy's new business is being driven by previously announced Snare channel partners, including Fujitsu UK, NTT globally, Verizon and Novacoast in the US and Jupiter Technology Corp in Japan. As part of the Company's selection by the Australian Government Department of Defence Export Office as part of Team Defence Australia, Prophecy exhibited on the Australia Pavilion at the Defence Security Equipment International (DSEI) UK show in October 2023. DSEI brings the global defence and security community together to innovate, partner and share knowledge under one roof.

The Company attended key Snare customer events in Q4 FY24 – RSA in San Francisco in May with Austrade as part of Team Defence Australia, followed by Infosec Europe in London in June – with both providing opportunities to market the Company's capabilities and recent successes. The Company was also pleased to continue our ongoing sponsorship of the Innovate Cybersecurity Summit series, the premier cybersecurity show for CISOs with Novacoast, with the most recent in Scottsdale, Arizona in October 2023.

#### **Outlook**

The growth of Prophecy's business in FY24 reflects the Company's focus on helping customers to secure the enterprise, repel cyber threats and deliver valuable business insights. We are trusted by an increasingly broad spread of blue-chip clients across the banking, healthcare, government, defence, utilities, transport, manufacturing, retail and energy sectors.

Healthy demand and continued momentum with customers provides the Company with confidence of delivering further business growth through FY25 and beyond.

We will continue to deliver new capabilities, accelerating both Snare and emite product roadmaps as we develop new revenue streams to complement existing products. We will continue our transition towards SaaS & subscription sales as we focus on driving organic growth through renewal, retention, upsell and cross sell, while scanning the Australian market for potential M&A opportunities.

## **Review of Operations**

### **For the Year Ended 30 June 2024**

Prophecy has identified a FY25 Snare potential sales pipeline (unweighted) valued at \$12.4M of both perpetual and subscription sales opportunities. Beyond this pipeline, Snare remains an active member of various consortia in a number of large bids for US Federal and Defence contracts that are yet to be awarded. Prophecy maintains a positive view for continued growth in Snare's business as the market for flexible cybersecurity and compliance solutions continues to expand.

With an FY25 emite potential sales pipeline (1CV unweighted) valued by the Company at \$10.9M, Prophecy holds a positive view for continued growth in this segment as a broader set of customers recognise emite's ability to help businesses manage their data in the cloud and visualise and understand their customer's journey. The pipeline growth is a pleasing increase from the end of the financial year as we leverage the new partnerships to identify and pursue new sales opportunities.

In cloud migration, emite continues to ride a significant growth trend. We expect that hybrid and remote working will accelerate cloud migration over the next several years. With multi-year industry tailwinds ahead, strong market positions, and diverse streams of recurring revenue flowing from our essential service segments of cybersecurity and cloud contact centres, we look forward to delivering scalable and increasingly profitable growth in the year ahead.

Prophecy's key focus areas for FY25 include the following priorities:

- Continue to expand sales and marketing to address growth opportunities in global markets
- Increase emite sales to large enterprise customers through both Genesys and Amazon Connect and to expand into the broader CX market space outside Genesys and Amazon
- Increase penetration of Snare products with new and existing customers, focusing on opportunities for Snare in the Government & Defense segment in the USA
- Increase Snare partner revenue from Security services partners including System Integrators, MSSP's, Security Operation Centre (SOC) providers and Extended Detection and Response (XDR) platform providers
- Deliver the strong pipeline of product innovation already in progress for both Snare and emite
- Continue the managed transition of the Snare business to recurring subscription-based licensing

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Directors' Report  
For the Year Ended 30 June 2024

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 2024.

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<br>Chair of the Strategy Committee<br>Member of the Remuneration Committee<br>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)<br>Grant is the Managing Partner of Moore Australia SA/NT Pty Ltd<br>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<br>Chair of the Audit Committee<br>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 2024

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 | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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 2024**

### **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 \$4,229,363 which represents a 71% increase on the loss reported for the year ended 30 June 2023 (2023 - \$2,478,617).

#### **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 2024

### 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, 26 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               | 12                        | 12              | -                         | -               |
| Leanne R Challans     | 12                        | 12              | 2                         | 2               | 12                        | 12              | -                         | -               |
| Matthew T Michalewicz | 12                        | 11              | -                         | -               | -                         | -               | -                         | -               |
| Grant R Miles         | 12                        | 10              | 2                         | 2               | 12                        | 10              | -                         | -               |

#### Unissued shares under option

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

#### Unissued performance rights

There are 84,500 unissued ordinary shares of Prophecy International Holdings Limited under performance rights arrangement 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 of share options

There were 15,000 shares issued during or since the end of the year as a result of the exercise of performance rights.

#### Indemnification and insurance of officers and auditors

In the financial year, the company has paid premiums of \$119,692 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.

Directors' Report  
For the Year Ended 30 June 2024

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 2024:

|                   | 2024   | 2023   |
|-------------------|--------|--------|
|                   | \$     | \$     |
| Taxation services | 45,500 | 35,130 |

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.

## Directors' Report

### For the Year Ended 30 June 2024

#### 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 11.5%, 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     |
| 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.

## Directors' Report

For the Year Ended 30 June 2024

### 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.

|                                                 | 2024        | 2023        | 2022        | 2021        | 2020        |
|-------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
|                                                 | \$          | \$          | \$          | \$          | \$          |
| Revenue and other income                        | 23,192,453  | 19,688,156  | 16,432,228  | 13,320,572  | 13,748,332  |
| Profit/(Loss) attributable to members after tax | (4,229,363) | (2,478,617) | (1,669,515) | (1,949,997) | (5,041,617) |
| Share price at year-end                         | 0.87        | 0.52        | 0.81        | 0.55        | 0.79        |
| Dividends paid (cents)                          | 0.00        | 0.00        | 0.00        | 0.00        | 0.50        |

##### 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 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 |
|                |                          | %                              | %      | %                |
| <b>KMP</b>     |                          |                                |        |                  |
| Brad Thomas    | CEO – Prophecy Group     | -                              | -      | 21%              |
| Stuart Geros   | CINO – Prophecy Group    | 42%                            | -      | -                |
| Steve Challans | CISO – Prophecy Group    | -                              | -      | -                |
| Stephen Irecki | Chief Operations Officer | 12%                            | -      | 3%               |

Directors' Report  
For the Year Ended 30 June 2024

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 2024

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.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Directors' Report

For the Year Ended 30 June 2024

### 3. Other items continued

#### Remuneration report (audited) continued

#### Remuneration details for the year ended 30 June 2024 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 |         |           |                                        |
|---------------------------------------------|------|------------------------------|------------|-----------------|-----------------------|--------------------------|--------------------|----------------------|---------|-----------|----------------------------------------|
|                                             |      | Cash salary Fees             | Cash bonus | Consulting fees | Non-monetary benefits | Health care & Allowances | Superannuation     | Long Service Leave   | Shares  | Total     | Performance based on % of remuneration |
| Directors                                   | Year | \$                           | \$         | \$              | \$                    | \$                       | \$                 | \$                   | \$      | \$        |                                        |
| Ed Reynolds                                 | 2024 | 39,000                       | -          | 67,646          | -                     | -                        | 4,290              | -                    | -       | 110,936   | -                                      |
|                                             | 2023 | 39,000                       | -          | 67,576          | -                     | -                        | 4,095              | -                    | -       | 110,671   | -                                      |
| Leanne Challans                             | 2024 | 70,000                       | -          | 41,650          | -                     | -                        | 12,282             | -                    | -       | 123,932   | -                                      |
|                                             | 2023 | 70,000                       | -          | 90,650          | -                     | -                        | 16,868             | -                    | -       | 177,518   | -                                      |
| Matthew Michalewicz                         | 2024 | 70,000                       | -          | -               | -                     | -                        | -                  | -                    | -       | 70,000    | -                                      |
|                                             | 2023 | 70,000                       | -          | -               | -                     | -                        | -                  | -                    | -       | 70,000    | -                                      |
| Grant R Miles                               | 2024 | 70,000                       | -          | -               | -                     | -                        | -                  | -                    | -       | 70,000    | -                                      |
|                                             | 2023 | 70,000                       | -          | -               | -                     | -                        | -                  | -                    | -       | 70,000    | -                                      |
| KMP                                         |      |                              |            |                 |                       |                          |                    |                      |         |           |                                        |
| Brad Thomas                                 | 2024 | 330,000                      | -          | -               | 261                   | -                        | 27,399             | 8,386                | 99,750  | 465,796   | 21%                                    |
|                                             | 2023 | 330,000                      | 63,000     | -               | 4,689                 | -                        | 26,828             | 18,235               | -       | 442,752   | 14%                                    |
| Stuart Geros                                | 2024 | 295,000                      | 233,320    | -               | 1,714                 | -                        | 27,399             | (2,064)              | -       | 555,369   | 42%                                    |
|                                             | 2023 | 298,734                      | 69,714     | -               | (13,873)              | -                        | 25,292             | 21,415               | -       | 401,282   | 17%                                    |
| Steve Challans                              | 2024 | 215,501                      | -          | -               | 7,123                 | -                        | 23,705             | 6,621                | -       | 252,950   | -                                      |
|                                             | 2023 | 215,501                      | -          | -               | 2,243                 | -                        | 22,628             | 4,675                | -       | 245,047   | -                                      |
| Stephen Irecki                              | 2024 | 267,840                      | 39,169     | -               | (2,197)               | -                        | 13,392             | 7,822                | 10,505  | 336,531   | 15%                                    |
|                                             | 2023 | 263,455                      | 45,146     | -               | (3,308)               | -                        | 13,173             | 10,623               | 15,936  | 345,025   | 14%                                    |
| Peter Barzen<br>(Ceased 30 June 2023)       | 2023 | -                            | -          | -               | -                     | -                        | -                  | -                    | -       | -         | -                                      |
| John Pappas<br>(Ceased 5 October 2022)      | 2023 | 162,989                      | 66,597     | -               | 14,699                | 38,844                   | 6,888              | -                    | -       | 290,017   | 23%                                    |
|                                             |      | -                            | -          | -               | -                     | -                        | -                  | -                    | -       | -         | -                                      |
|                                             | 2023 | 129,406                      | 33,314     | -               | -                     | 4,759                    | 4,882              | -                    | -       | 172,361   | 19%                                    |
| 2024 Total                                  | 2024 | 1,357,341                    | 272,489    | 109,296         | 6,901                 | -                        | 108,467            | 20,765               | 110,255 | 1,985,514 |                                        |
| 2023 Total                                  | 2023 | 1,649,085                    | 277,771    | 158,226         | 4,450                 | 43,603                   | 120,654            | 54,948               | 15,936  | 2,324,673 |                                        |

## **Directors' Report**

**For the Year Ended 30 June 2024**

### **3. Other items continued**

#### **Remuneration report (audited) continued**

##### **Remuneration details for the year ended 30 June 2024 continued**

The remuneration detailed above for Ed Reynolds includes director's fees of \$39,000 and consulting fees of \$67,646 (2023 – director's fees \$39,000 and consulting fees \$67,576) 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 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**

During the 2023 year, Mr S Irecki received 35,000 performance rights with a total fair value of \$38,150. The performance rights vesting condition is a three year service period. \$10,505 has been recognised as remuneration in the current year.

During the year, Mr B Thomas received 75,000 performance rights with a total fair value of \$99,750. The performance rights vesting condition is a share price performance target. \$99,750 has been recognised as remuneration in the current year.

No other 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 2023. The company received no specific feedback on its Remuneration Report at the Annual General Meeting.

##### **Key management personnel options and rights holdings**

As noted above, Mr S Irecki held 35,000 performance rights of which 15,000 were issued during the year.

As noted above, Mr B Thomas holds 75,000 performance rights which were granted during the year.

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

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## Directors' Report

For the Year Ended 30 June 2024

### 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:

|                       | Balance at<br>beginning<br>of year | Granted as<br>Remuneration | Acquisitions | Disposals       | Other<br>Changes | Balance at<br>end of year |
|-----------------------|------------------------------------|----------------------------|--------------|-----------------|------------------|---------------------------|
| <b>30 June 2024</b>   |                                    |                            |              |                 |                  |                           |
| Ed Reynolds           | 7,830,000                          | -                          | -            | -               | -                | 7,830,000                 |
| *Leanne R Challans    | 774,880                            | -                          | -            | -               | -                | 774,880                   |
| Matthew T Michalewicz | 100,000                            | -                          | -            | -               | -                | 100,000                   |
| Grant R Miles         | 150,000                            | -                          | -            | -               | -                | 150,000                   |
| <b>Other KMP</b>      |                                    |                            |              |                 |                  |                           |
| Brad Thomas           | 86,681                             | -                          | -            | -               | -                | 86,681                    |
| Stuart Geros          | 1,677,728                          | -                          | 4,220        | (24,400)        | -                | 1,657,548                 |
| *Steve Challans       | 774,880                            | -                          | -            | -               | -                | 774,880                   |
| Stephen Irecki        | 54,000                             | 15,000                     | -            | -               | -                | 69,000                    |
|                       | <b>11,448,169</b>                  | <b>15,000</b>              | <b>4,220</b> | <b>(24,400)</b> | <b>-</b>         | <b>11,442,989</b>         |

\*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 \$26,400 (2023: \$16,698).

#### 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.

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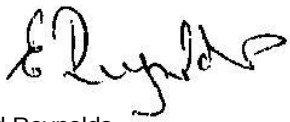
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**Prophecy International Holdings Limited and Controlled Entities**

ABN: 16 079 971 618

**Directors' Report**  
**For the Year Ended 30 June 2024**

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2024 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 26th day of September, 2024

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**Grant Thornton Audit Pty Ltd**  
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170 Frome Street  
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T +61 8 8372 6666

## Auditor's Independence Declaration

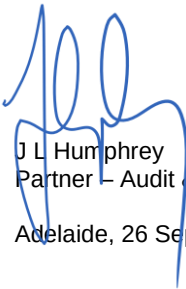
### To the Directors of Prophecy International Holdings Limited

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 2024, 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 AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner – Audit & Assurance

Adelaide, 26 September 2024

[www.grantthornton.com.au](http://www.grantthornton.com.au)  
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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 Year Ended 30 June 2024

|                                                                                           |      | 2024               | 2023               |
|-------------------------------------------------------------------------------------------|------|--------------------|--------------------|
|                                                                                           | Note | \$                 | \$                 |
| Revenue from continuing operations                                                        | 2    | 22,872,208         | 19,607,087         |
| Research and development tax incentive                                                    |      | -                  | 618,659            |
| Other income                                                                              |      | 320,245            | 81,069             |
| Employee benefits expense                                                                 | 3    | (15,676,202)       | (14,677,822)       |
| Depreciation and amortisation expense                                                     | 3    | (1,387,768)        | (1,397,262)        |
| Other expenses                                                                            | 3    | (10,669,495)       | (6,995,402)        |
| Finance costs                                                                             |      | (63,175)           | (52,588)           |
| <b>Loss before income tax</b>                                                             |      | <b>(4,604,187)</b> | <b>(2,816,259)</b> |
| Income tax benefit/(expense)                                                              | 4    | 374,824            | 337,642            |
| <b>Loss for the year</b>                                                                  |      | <b>(4,229,363)</b> | <b>(2,478,617)</b> |
| <b>Other comprehensive income/(loss), net of income tax</b>                               |      |                    |                    |
| <b>Items that will be reclassified to profit or loss when specific conditions are met</b> |      |                    |                    |
| Exchange differences on translating foreign controlled entities                           |      | 137,945            | (229,096)          |
| <b>Other comprehensive income/(loss) for the year, net of tax</b>                         |      | <b>137,945</b>     | <b>(229,096)</b>   |
| <b>Total comprehensive loss for the year</b>                                              |      | <b>(4,091,418)</b> | <b>(2,707,713)</b> |
| Loss attributable to:                                                                     |      |                    |                    |
| Members of the parent entity                                                              |      | (4,240,324)        | (2,488,454)        |
| Non-controlling interest                                                                  |      | 10,961             | 9,837              |
|                                                                                           |      | <b>(4,229,363)</b> | <b>(2,478,617)</b> |
| Total comprehensive income/(loss) attributable to:                                        |      |                    |                    |
| Members of the parent entity                                                              |      | (4,102,379)        | (2,717,550)        |
| Non-controlling interest                                                                  |      | 10,961             | 9,837              |
|                                                                                           |      | <b>(4,091,418)</b> | <b>(2,707,713)</b> |
| <b>Losses per share</b>                                                                   |      |                    |                    |
| From continuing operations:                                                               |      |                    |                    |
| Basic earnings/(loss) per share (cents)                                                   | 8    | (5.76)             | (3.38)             |
| Diluted earnings/(loss) per share (cents)                                                 | 8    | (5.76)             | (3.38)             |

The financial statements should be read in conjunction with the accompanying notes.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Consolidated Statement of Financial Position

As At 30 June 2024

|                                                                   | Note | 2024<br>\$        | 2023<br>\$        |
|-------------------------------------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                                                     |      |                   |                   |
| <b>CURRENT ASSETS</b>                                             |      |                   |                   |
| Cash and cash equivalents                                         | 9    | 11,710,885        | 11,735,885        |
| Financial assets                                                  | 10   | 102,644           | 100,400           |
| Trade and other receivables                                       | 11   | 2,938,982         | 3,942,699         |
| Contract assets                                                   |      | 194,081           | 139,325           |
| Current tax receivable                                            | 25   | 25,382            | -                 |
| Other assets                                                      | 12   | 2,449,077         | 2,238,018         |
| <b>TOTAL CURRENT ASSETS</b>                                       |      | <b>17,421,051</b> | <b>18,156,327</b> |
| <b>NON-CURRENT ASSETS</b>                                         |      |                   |                   |
| Trade and other receivables                                       | 11   | 8,496             | 8,488             |
| Other assets                                                      | 12   | 869,613           | 1,201,313         |
| Property, plant and equipment                                     | 14   | 189,697           | 278,772           |
| Intangible assets                                                 | 15   | 5,240,532         | 6,061,490         |
| Right to use assets                                               | 16   | 819,196           | 1,259,353         |
| Deferred tax assets                                               | 25   | 283,467           | -                 |
| <b>TOTAL NON-CURRENT ASSETS</b>                                   |      | <b>7,411,001</b>  | <b>8,809,416</b>  |
| <b>TOTAL ASSETS</b>                                               |      | <b>24,832,052</b> | <b>26,965,743</b> |
| <b>LIABILITIES</b>                                                |      |                   |                   |
| <b>CURRENT LIABILITIES</b>                                        |      |                   |                   |
| Trade and other payables                                          | 17   | 2,479,311         | 1,842,422         |
| Contract liabilities - Deferred revenue                           | 18   | 8,868,199         | 8,479,845         |
| Employee benefits                                                 | 19   | 1,857,721         | 1,717,466         |
| Lease liabilities                                                 | 16   | 390,228           | 429,826           |
| <b>TOTAL CURRENT LIABILITIES</b>                                  |      | <b>13,595,459</b> | <b>12,469,559</b> |
| <b>NON-CURRENT LIABILITIES</b>                                    |      |                   |                   |
| Deferred tax liabilities                                          | 25   | -                 | 116,297           |
| Employee benefits                                                 | 19   | 125,585           | 174,994           |
| Lease liabilities                                                 | 16   | 494,024           | 884,231           |
| Contract liabilities - Deferred revenue                           | 18   | 2,514,928         | 1,217,806         |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                              |      | <b>3,134,537</b>  | <b>2,393,328</b>  |
| <b>TOTAL LIABILITIES</b>                                          |      | <b>16,729,996</b> | <b>14,862,887</b> |
| <b>NET ASSETS</b>                                                 |      | <b>8,102,056</b>  | <b>12,102,856</b> |
| <b>EQUITY</b>                                                     |      |                   |                   |
| Issued capital                                                    | 20   | 35,822,379        | 35,809,479        |
| Reserves                                                          |      | (249,827)         | (465,490)         |
| Accumulated losses                                                |      | (27,296,685)      | (23,056,361)      |
| <b>Total equity attributable to equity holders of the Company</b> |      | <b>8,275,867</b>  | <b>12,287,628</b> |
| Non-controlling interest                                          |      | (173,811)         | (184,772)         |
| <b>TOTAL EQUITY</b>                                               |      | <b>8,102,056</b>  | <b>12,102,856</b> |

The financial statements should be read in conjunction with the accompanying notes.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2024

2024

|                                                                     | Issued<br>Capital | Accumulated<br>Losses | Foreign<br>Currency<br>Translation<br>Reserve | Option<br>Reserve | Non-<br>controlling<br>Interests | Total             |
|---------------------------------------------------------------------|-------------------|-----------------------|-----------------------------------------------|-------------------|----------------------------------|-------------------|
|                                                                     | \$                | \$                    | \$                                            | \$                | \$                               | \$                |
| <b>Balance at 1 July 2023</b>                                       | <b>35,809,479</b> | <b>(23,056,361)</b>   | <b>(632,264)</b>                              | <b>166,774</b>    | <b>(184,772)</b>                 | <b>12,102,856</b> |
| Loss attributable to members of the parent entity                   | -                 | (4,240,324)           | -                                             | -                 | -                                | (4,240,324)       |
| Profit attributable to non-controlling interests                    | -                 | -                     | -                                             | -                 | 10,961                           | 10,961            |
| Total other comprehensive income for the year                       | -                 | -                     | 137,945                                       | -                 | -                                | 137,945           |
| Share based payment transactions at fair value                      | -                 | -                     | -                                             | 115,300           | -                                | 115,300           |
| Transfer of forfeiture options/performance rights to profit or loss | -                 | -                     | -                                             | (24,682)          | -                                | (24,682)          |
| Shares issued on the exercise of performance rights                 | 12,900            | -                     | -                                             | (12,900)          | -                                | -                 |
| <b>Balance at 30 June 2024</b>                                      | <b>35,822,379</b> | <b>(27,296,685)</b>   | <b>(494,319)</b>                              | <b>244,492</b>    | <b>(173,811)</b>                 | <b>8,102,056</b>  |

2023

|                                                   | Issued<br>Capital | Accumulated<br>Losses | Foreign<br>Currency<br>Translation<br>Reserve | Option<br>Reserve | Non-<br>controlling<br>Interests | Total             |
|---------------------------------------------------|-------------------|-----------------------|-----------------------------------------------|-------------------|----------------------------------|-------------------|
|                                                   | \$                | \$                    | \$                                            | \$                | \$                               | \$                |
| <b>Balance at 1 July 2022</b>                     | <b>35,798,079</b> | <b>(20,567,907)</b>   | <b>(403,168)</b>                              | <b>124,825</b>    | <b>(194,609)</b>                 | <b>14,757,220</b> |
| Loss attributable to members of the parent entity | -                 | (2,488,454)           | -                                             | -                 | -                                | (2,488,454)       |
| Profit attributable to non-controlling interests  | -                 | -                     | -                                             | -                 | 9,837                            | 9,837             |
| Total other comprehensive income for the year     | -                 | -                     | (229,096)                                     | -                 | -                                | (229,096)         |
| Share based payment transactions at fair value    | -                 | -                     | -                                             | 41,949            | -                                | 41,949            |
| Shares issued during the year                     | 11,400            | -                     | -                                             | -                 | -                                | 11,400            |
| <b>Balance at 30 June 2023</b>                    | <b>35,809,479</b> | <b>(23,056,361)</b>   | <b>(632,264)</b>                              | <b>166,774</b>    | <b>(184,772)</b>                 | <b>12,102,856</b> |

The financial statements should be read in conjunction with the accompanying notes.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2024

|                                                             |      | 2024         | 2023         |
|-------------------------------------------------------------|------|--------------|--------------|
|                                                             | Note | \$           | \$           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                |      |              |              |
| Receipts from customers                                     |      | 24,886,903   | 20,683,391   |
| Payments to suppliers and employees                         |      | (25,550,475) | (22,380,010) |
| Interest received                                           |      | 318,780      | 81,069       |
| Income taxes (paid)/refunded                                |      | 574,187      | 419,761      |
| Net cash provided by/(used in) operating activities         | 24   | 229,395      | (1,195,789)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                |      |              |              |
| Proceeds from sale of plant and equipment                   |      | 4,487        | -            |
| Purchase of property, plant and equipment                   |      | (44,055)     | (167,296)    |
| Net cash used in investing activities                       |      | (39,568)     | (167,296)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                |      |              |              |
| Payment of lease liabilities                                |      | (260,392)    | (398,065)    |
| Net cash provided by/(used in) financing activities         |      | (260,392)    | (398,065)    |
| Effects of foreign exchange rates on overseas cash holdings |      | 45,565       | 509,093      |
| Net increase/(decrease) in cash and cash equivalents held   |      | (25,000)     | (1,252,057)  |
| Cash and cash equivalents at beginning of year              |      | 11,735,885   | 12,987,942   |
| Cash and cash equivalents at end of financial year          | 9    | 11,710,885   | 11,735,885   |

The financial statements should be read in conjunction with the accompanying notes.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2024**

This preliminary 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 Material 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.

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 1 Summary of Material 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.

Notes to the Financial Statements  
For the Year Ended 30 June 2024

1 Summary of Material Accounting Policies continued

(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.

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.

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 1 Summary of Material 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'.

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 1 Summary of Material 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).

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 1 Summary of Material Accounting Policies continued

#### (f) Impairment of 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 2024

### 1 Summary of Material 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 2024**

### **1 Summary of Material 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.

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 1 Summary of Material 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 11.0% 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 subject to an insignificant risk of change in value.

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 1 Summary of Material Accounting Policies continued

#### (I) Leases

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

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.

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 1 Summary of Material 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 from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Some contracts include multiple deliverables, such as the sale of licences and maintenance. These are accounted for as a separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Licences that grant the user a right to use the product are recorded when access is granted. Licences that grant the user a right to access the product are recorded over the access period.

When such licenses are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation. Revenue is recognised at a point in time when the software has been developed and tested and the Group has a right to payment.

Maintenance revenue is recognised on a straight-line basis over the maintenance service period. As the amount of work required to perform under these contracts does not vary significantly from month-to-month, the straightline method provides a faithful depiction of the transfer of goods or services.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

##### Costs to obtain a contract

The capitalised costs are amortised on a straight-line basis over the expected life of the contract which is has been estimated at 3 years.

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 1 Summary of Material Accounting Policies continued

#### (m) Revenue and Other Income continued

##### Interest Revenue

Interest is recognised using the effective interest method.

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

#### (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 1(e) 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.

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 1 Summary of Material Accounting Policies continued

#### (s) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

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

#### (t) Critical Accounting Estimates and Judgments

##### 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 - 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.

#### (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 2024

2 Revenue and Other Income

Revenue from continuing operations

|                    | 2024              | 2023              |
|--------------------|-------------------|-------------------|
|                    | \$                | \$                |
| Sales revenue      |                   |                   |
| - licence sales    | 17,308,380        | 14,375,496        |
| - maintenance fees | 3,773,420         | 4,295,142         |
| - consulting sales | 1,790,408         | 936,449           |
|                    | <u>22,872,208</u> | <u>19,607,087</u> |

The Group's revenue is disaggregated as follows:

|                                                  | Legacy         |                | Snare            |                  | eMite             |                  | Total             |                   |
|--------------------------------------------------|----------------|----------------|------------------|------------------|-------------------|------------------|-------------------|-------------------|
|                                                  | 2024           | 2023           | 2024             | 2023             | 2024              | 2023             | 2024              | 2023              |
|                                                  | \$             | \$             | \$               | \$               | \$                | \$               | \$                | \$                |
| Goods or services transferred at a point in time |                |                |                  |                  |                   |                  |                   |                   |
| - licence sales                                  | 571,500        | 663,726        | 1,164,369        | 2,290,508        | 2,032,875         | 1,388,382        | 3,768,744         | 4,342,616         |
| - consulting sales                               | -              | -              | 182,407          | 85,335           | 1,608,002         | 851,114          | 1,790,409         | 936,449           |
| Total                                            | <u>571,500</u> | <u>663,726</u> | <u>1,346,776</u> | <u>2,375,843</u> | <u>3,640,877</u>  | <u>2,239,496</u> | <u>5,559,153</u>  | <u>5,279,065</u>  |
|                                                  |                |                |                  |                  |                   |                  |                   |                   |
|                                                  | Legacy         |                | Snare            |                  | eMite             |                  | Total             |                   |
|                                                  | 2024           | 2023           | 2024             | 2023             | 2024              | 2023             | 2024              | 2023              |
|                                                  | \$             | \$             | \$               | \$               | \$                | \$               | \$                | \$                |
| Goods or services transferred over time          |                |                |                  |                  |                   |                  |                   |                   |
| - licence sales                                  | -              | -              | 3,635,848        | 2,151,458        | 9,903,787         | 7,881,422        | 13,539,635        | 10,032,880        |
| - maintenance fees                               | 123,500        | 82,154         | 3,269,879        | 3,420,376        | 380,041           | 792,612          | 3,773,420         | 4,295,142         |
| Total                                            | <u>123,500</u> | <u>82,154</u>  | <u>6,905,727</u> | <u>5,571,834</u> | <u>10,283,828</u> | <u>8,674,034</u> | <u>17,313,055</u> | <u>14,328,022</u> |

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 3 Result for the Year

The result for the year includes the following specific expenses:

|                                                  | 2024              | 2023              |
|--------------------------------------------------|-------------------|-------------------|
|                                                  | \$                | \$                |
| Salaries and wages                               | 10,980,629        | 10,707,275        |
| Commissions                                      | 1,788,225         | 1,340,950         |
| Superannuation contributions                     | 673,347           | 646,932           |
| Payroll taxes                                    | 795,568           | 722,013           |
| Consultants                                      | 699,811           | 501,063           |
| Medical expenses                                 | 500,813           | 508,208           |
| AL & LSL expenses                                | 89,262            | 98,050            |
| Share-based payment                              | 90,619            | 41,949            |
| Other employee benefit expenses                  | 57,928            | 111,382           |
|                                                  | <b>15,676,202</b> | <b>14,677,822</b> |
| Depreciation and amortisation expense comprises: |                   |                   |
| - Depreciation - plant and equipment             | 125,228           | 110,535           |
| - Depreciation - right of use assets             | 441,582           | 331,400           |
| - Amortisation - intellectual property           | 800,000           | 800,000           |
| - Amortisation - development costs               | 20,958            | 155,327           |
|                                                  | <b>1,387,768</b>  | <b>1,397,262</b>  |
| <b>Other Expenses:</b>                           |                   |                   |
| Accounting fees                                  | 270,258           | 260,842           |
| Consulting and professional fees                 | 1,954,786         | 1,705,304         |
| Filing fees                                      | 78,377            | 86,071            |
| Insurance                                        | 267,329           | 240,803           |
| Legal Fees                                       | 83,799            | 65,449            |
| Marketing                                        | 878,919           | 461,187           |
| Strata Fees                                      | 31,536            | 181,112           |
| Royalties                                        | 313,722           | 73,728            |
| Foreign exchange (gains)/losses                  | 239,655           | (599,381)         |
| Communications expense including cloud services  | 4,641,895         | 2,729,464         |
| Software including annual maintenance            | 1,342,748         | 1,206,099         |
| Travel and accommodation                         | 378,739           | 293,950           |
| Other expenses                                   | 187,732           | 290,774           |
|                                                  | <b>10,669,495</b> | <b>6,995,402</b>  |

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 4 Income Tax Expense

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

|                                                                   | 2024             | 2023             |
|-------------------------------------------------------------------|------------------|------------------|
|                                                                   | \$               | \$               |
| Current tax expense/benefit                                       | 280,622          | -                |
| Deferred tax expense/(benefit)                                    | (688,164)        | (283,187)        |
| Origination and reversal of temporary differences                 | -                | (35,087)         |
| Adjustments for under/(over) provision for taxes in prior periods | 32,718           | (19,368)         |
| <b>Total income tax expense/(benefit)</b>                         | <b>(374,824)</b> | <b>(337,642)</b> |

(b) Reconciliation of income tax to accounting profit:

|               |                    |                  |
|---------------|--------------------|------------------|
| Profit/(loss) | (4,604,187)        | (2,816,259)      |
| Tax           | 25.00%             | 25.00%           |
|               | <b>(1,151,047)</b> | <b>(704,065)</b> |

Add:

Tax effect of:

|                                                |                  |                  |
|------------------------------------------------|------------------|------------------|
| - non-deductible expenses                      | 269,966          | 420,878          |
| - tax losses not recognised                    | 476,071          | -                |
| - over/(under) provision for tax in prior year | 32,718           | -                |
|                                                | <b>(372,292)</b> | <b>(283,187)</b> |

Less:

Tax effect of:

|                                                |       |        |
|------------------------------------------------|-------|--------|
| - Tax losses - foreign jurisdictions           | 2,532 | 35,087 |
| - over/(under) provision for tax in prior year | -     | 19,368 |

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Income tax expense/(benefit) | <b>(374,824)</b> | <b>(337,642)</b> |
|------------------------------|------------------|------------------|

### 5 Key Management Personnel Disclosures

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

|                              | 2024             | 2023             |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| Short-term employee benefits | 1,746,027        | 2,133,135        |
| Long-term benefits           | 20,765           | 54,948           |
| Post-employment benefits     | 108,467          | 120,654          |
| Share-based payments         | 110,255          | 15,936           |
|                              | <b>1,985,514</b> | <b>2,324,673</b> |

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 2024.

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 6 Remuneration of Auditors

|                                                                        | 2024           | 2023           |
|------------------------------------------------------------------------|----------------|----------------|
|                                                                        | \$             | \$             |
| Remuneration of the auditor of the parent entity, Grant Thornton, for: |                |                |
| - auditing or reviewing the financial statements                       | 146,341        | 150,278        |
| - taxation compliance services                                         | 45,500         | 35,130         |
| Total paid or payable to Grant Thornton                                | 191,841        | 185,408        |
| Remuneration of other auditors of subsidiaries for:                    |                |                |
| - auditing or reviewing the financial statements of subsidiaries       | 15,761         | 12,606         |
| <b>Total</b>                                                           | <b>207,602</b> | <b>198,014</b> |

### 7 Dividends

a. The following dividends were declared and paid:

Interim unfranked ordinary dividend of nil (2023: nil) cents per share

|   |   |
|---|---|
| - | - |
|---|---|

#### Franking account

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

|                                                                                              | 2024        | 2023        |
|----------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                              | \$          | \$          |
| Loss after income tax attributable to the owners of Prophecy International Holdings Limited- | (4,240,324) | (2,488,454) |

(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    | 73,618,161 | 73,604,852 |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 73,618,161 | 73,604,852 |

## Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

### Notes to the Financial Statements

For the Year Ended 30 June 2024

#### 9 Cash and Cash Equivalents

|                      | 2024       | 2023       |
|----------------------|------------|------------|
|                      | \$         | \$         |
| Cash at bank in hand | 11,710,885 | 11,735,885 |

#### 10 Financial Assets

|                                            |         |         |
|--------------------------------------------|---------|---------|
| Other financial assets - security deposits | 102,644 | 100,400 |
|--------------------------------------------|---------|---------|

#### 11 Trade and Other Receivables

##### CURRENT

|                              |           |           |
|------------------------------|-----------|-----------|
| Trade and other receivables  | 2,987,240 | 3,372,298 |
| Allowance for doubtful debts | (48,258)  | (48,258)  |

|           |           |
|-----------|-----------|
| 2,938,982 | 3,324,040 |
|-----------|-----------|

|                                                           |   |         |
|-----------------------------------------------------------|---|---------|
| Other receivable – Research and development tax incentive | - | 618,659 |
|-----------------------------------------------------------|---|---------|

##### Total current trade and other receivables

|           |           |
|-----------|-----------|
| 2,938,982 | 3,942,699 |
|-----------|-----------|

##### NON-CURRENT

|                   |       |       |
|-------------------|-------|-------|
| Deposits          | 24    | 24    |
| Other receivables | 8,472 | 8,464 |

##### Total non-current trade and other receivables

|       |       |
|-------|-------|
| 8,496 | 8,488 |
|-------|-------|

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## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 11 Trade and Other Receivables continued

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

|                       | Current   | Less than<br>30 days<br>past due | More than<br>30 days<br>past due | More than<br>60 days<br>past due | More than<br>90 days<br>past due | Total     |
|-----------------------|-----------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------|
| <b>2024</b>           |           |                                  |                                  |                                  |                                  |           |
| Expected loss rate    | -         | -                                | -                                | -                                | -                                |           |
| Gross carrying amount |           |                                  |                                  |                                  |                                  |           |
| - trade receivables   | 2,735,950 | 202,857                          | 62,844                           | -                                | (5,915)                          | 2,995,736 |
| Loss allowance        | -         | -                                | -                                | -                                | -                                | (48,258)  |
| <b>2023</b>           |           |                                  |                                  |                                  |                                  |           |
| Expected loss rate    | -         | -                                | -                                | -                                | -                                |           |
| Gross carrying amount |           |                                  |                                  |                                  |                                  |           |
| - trade receivables   | 2,937,669 | 331,580                          | 72,935                           | 31,164                           | 7,438                            | 3,380,786 |
| Loss allowance        | -         | -                                | -                                | -                                | -                                | (48,258)  |

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 2024 and 30 June 2023 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 reflected 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

|                                                                    | 2024<br>\$       | 2023<br>\$       |
|--------------------------------------------------------------------|------------------|------------------|
| <b>CURRENT</b>                                                     |                  |                  |
| Prepayments – incremental costs to obtain contracts with customers | 1,410,985        | 1,495,393        |
| Other prepayments                                                  | 1,038,092        | 742,625          |
|                                                                    | <u>2,449,077</u> | <u>2,238,018</u> |
| <b>NON-CURRENT</b>                                                 |                  |                  |
| Prepayments – incremental costs to obtain contracts with customers | <u>869,613</u>   | <u>1,201,313</u> |

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 13 Interests in Subsidiaries

#### Composition of the Group

|                                                              | Principal place of<br>business / Country of<br>Incorporation | Percentage<br>Owned (%)* | Percentage<br>Owned (%)* |
|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------|--------------------------|
|                                                              |                                                              | 2024                     | 2023                     |
| <b>Subsidiaries:</b>                                         |                                                              |                          |                          |
| 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                      |
| Prophecy Software Solutions Philippines Inc                  | Philippines                                                  | 100                      | 100                      |

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

### 14 Property, Plant and Equipment

|                                            | 2024           | 2023           |
|--------------------------------------------|----------------|----------------|
|                                            | \$             | \$             |
| Plant and equipment                        |                |                |
| At cost                                    | 960,919        | 1,596,395      |
| Accumulated depreciation                   | (779,650)      | (1,323,680)    |
| Total plant and equipment                  | 181,269        | 272,715        |
| Furniture, fixtures and fittings           |                |                |
| At cost                                    | 38,098         | 243,558        |
| Accumulated depreciation                   | (29,670)       | (237,501)      |
| Total furniture, fixtures and fittings     | 8,428          | 6,057          |
| <b>Total property, plant and equipment</b> | <b>189,697</b> | <b>278,772</b> |

#### 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<br>Equipment | Furniture,<br>Fixtures and<br>Fittings | Total          |
|---------------------------------------|------------------------|----------------------------------------|----------------|
|                                       | \$                     | \$                                     | \$             |
| <b>Year ended 30 June 2024</b>        |                        |                                        |                |
| Balance at the beginning of year      | 272,716                | 6,056                                  | 278,772        |
| Additions                             | 38,540                 | 4,367                                  | 42,907         |
| Disposals                             | (3,096)                | -                                      | (3,096)        |
| Depreciation expense                  | (124,093)              | (2,000)                                | (126,093)      |
| Foreign exchange movements            | (2,799)                | 6                                      | (2,793)        |
| <b>Balance at the end of the year</b> | <b>181,268</b>         | <b>8,429</b>                           | <b>189,697</b> |

Notes to the Financial Statements  
For the Year Ended 30 June 2024

14 Property, Plant and Equipment continued

Movements in carrying amounts of property, plant and equipment continued

|                                  | Plant and<br>Equipment | Furniture,<br>Fixtures and<br>Fittings | Total     |
|----------------------------------|------------------------|----------------------------------------|-----------|
|                                  | \$                     | \$                                     | \$        |
| Year ended 30 June 2023          |                        |                                        |           |
| Balance at the beginning of year | 210,450                | 9,941                                  | 220,391   |
| Additions                        | 167,296                | -                                      | 167,296   |
| Depreciation expense             | (106,568)              | (3,967)                                | (110,535) |
| Foreign exchange movements       | 1,538                  | 82                                     | 1,620     |
| Balance at the end of the year   | 272,716                | 6,056                                  | 278,772   |

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 15 Intangible Assets

|                                         | 2024             | 2023             |
|-----------------------------------------|------------------|------------------|
|                                         | \$               | \$               |
| Goodwill                                |                  |                  |
| Cost                                    | 5,108,270        | 5,108,270        |
| Accumulated impairment losses           | (2,981,455)      | (2,981,455)      |
| <b>Net carrying value</b>               | <b>2,126,815</b> | <b>2,126,815</b> |
| Intellectual property                   |                  |                  |
| Cost                                    | 12,720,000       | 12,720,000       |
| Accumulated amortisation and impairment | (9,609,291)      | (8,809,291)      |
| <b>Net carrying value</b>               | <b>3,110,709</b> | <b>3,910,709</b> |
| Development costs                       |                  |                  |
| Cost                                    | 2,678,372        | 2,678,372        |
| Accumulated amortisation and impairment | (2,675,364)      | (2,654,406)      |
| <b>Net carrying value</b>               | <b>3,008</b>     | <b>23,966</b>    |
| <b>Total Intangibles</b>                | <b>5,240,532</b> | <b>6,061,490</b> |

#### Movements in carrying amounts of intangible assets

|                                      | Intellectual property | Goodwill         | Development costs | Total            |
|--------------------------------------|-----------------------|------------------|-------------------|------------------|
|                                      | \$                    | \$               | \$                | \$               |
| <b>Year ended 30 June 2024</b>       |                       |                  |                   |                  |
| Balance at the beginning of the year | 3,910,709             | 2,126,815        | 23,966            | 6,061,490        |
| Amortisation                         | (800,000)             | -                | (20,958)          | (820,958)        |
| <b>Closing value at 30 June 2024</b> | <b>3,110,709</b>      | <b>2,126,815</b> | <b>3,008</b>      | <b>5,240,532</b> |
| <b>Year ended 30 June 2023</b>       |                       |                  |                   |                  |
| Balance at the beginning of the year | 4,710,709             | 2,126,815        | 179,293           | 7,016,817        |
| Amortisation                         | (800,000)             | -                | (155,327)         | (955,327)        |
| <b>Closing value at 30 June 2023</b> | <b>3,910,709</b>      | <b>2,126,815</b> | <b>23,966</b>     | <b>6,061,490</b> |

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 with a carrying value of \$2,126,815 (2023 \$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 15.6%. 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 15.6% to 17.9%, no impairment expenses would have been recognised.

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 15 Intangible Assets continued

Intellectual Property with a carrying value of \$3,110,709 (2023: \$3,910,709), 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 15.6%. 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 15.6% to 17.9%, no impairment expenses would have been recognised.

### 16 Leases

#### (a) Right-of-use assets

|                                   | 2024             |
|-----------------------------------|------------------|
| <b>Year ended 30 June 2024</b>    |                  |
| As at 1 July 2023                 | 1,259,353        |
| Increases - annual lease increase | 11,088           |
| FX Revaluation                    | (9,663)          |
| Depreciation                      | (441,582)        |
| <b>Balance at end of year</b>     | <b>819,196</b>   |
|                                   | <b>2023</b>      |
| <b>Year ended 30 June 2023</b>    |                  |
| As at 1 July 2022                 | 542,939          |
| Increases - new leases            | 1,057,112        |
| FX Revaluation                    | (9,298)          |
| Depreciation                      | (331,400)        |
| <b>Balance at end of year</b>     | <b>1,259,353</b> |

The Group lease various office spaces in Australia and the United States. Rental contracts are 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     |
|-------------------|----------|-------------|-----------|-----------|
|                   | \$       | \$          | \$        | \$        |
| <b>2024</b>       |          |             |           |           |
| Lease liabilities | 390,228  | 494,024     | -         | 884,252   |
| <b>2023</b>       |          |             |           |           |
| Lease liabilities | 429,826  | 884,231     | -         | 1,314,057 |

## Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

### Notes to the Financial Statements

For the Year Ended 30 June 2024

#### 17 Trade and Other Payables

|                                      | 2024             | 2023             |
|--------------------------------------|------------------|------------------|
| Note                                 | \$               | \$               |
| Trade payables                       | 1,694,393        | 952,030          |
| Sundry payables and accrued expenses | 782,263          | 887,735          |
| Other payables                       | 2,655            | 2,657            |
|                                      | <u>2,479,311</u> | <u>1,842,422</u> |

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

##### CURRENT

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Unearned revenue from customers | 8,868,199 | 8,479,845 |
|---------------------------------|-----------|-----------|

##### NON-CURRENT

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Unearned revenue from customers | 2,514,928 | 1,217,806 |
|---------------------------------|-----------|-----------|

#### 19 Employee Benefits

##### CURRENT

|                    |                  |                  |
|--------------------|------------------|------------------|
| Long service leave | 646,128          | 560,511          |
| Annual leave       | 1,211,593        | 1,156,955        |
|                    | <u>1,857,721</u> | <u>1,717,466</u> |

##### NON-CURRENT

|                    |         |         |
|--------------------|---------|---------|
| Long service leave | 125,585 | 174,994 |
|--------------------|---------|---------|

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Notes to the Financial Statements  
For the Year Ended 30 June 2024

20 Issued Capital

|                                               | 2024       | 2023       |
|-----------------------------------------------|------------|------------|
|                                               | \$         | \$         |
| 73,625,934 (2023: 73,610,934) Ordinary shares | 35,822,379 | 35,809,479 |

(a) Ordinary shares

|                                          | 2024       | 2024       | 2023       | 2023       |
|------------------------------------------|------------|------------|------------|------------|
|                                          | \$         | No         | \$         | No         |
| At the beginning of the reporting period | 35,809,479 | 73,610,934 | 35,798,079 | 73,590,934 |
| Issue of shares – employee share scheme  | 12,900     | 15,000     | 11,400     | 20,000     |
| At the end of the reporting period       | 35,822,379 | 73,625,934 | 35,809,479 | 73,610,934 |

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.

**Prophecy International Holdings Limited and Controlled Entities**

ABN: 16 079 971 618

**Notes to the Financial Statements**

**For the Year Ended 30 June 2024**

**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 \$72,644 (2023: \$70,400).

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 2024

### 24 Cash Flow Information

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

|                                                                               | 2024        | 2023        |
|-------------------------------------------------------------------------------|-------------|-------------|
|                                                                               | \$          | \$          |
| Loss for the year                                                             | (4,229,363) | (2,478,617) |
| Cash flows excluded from profit attributable to operating activities          |             |             |
| Non-cash flows in profit:                                                     |             |             |
| - depreciation and amortisation                                               | 1,387,768   | 1,397,262   |
| - net gain on disposal of property, plant and equipment                       | 4,485       | -           |
| - foreign exchange (gain)/loss                                                | 238,740     | (598,593)   |
| - foreign exchange differences arising on translation of foreign subsidiaries | 24,518      | (32,399)    |
| - share based payments                                                        | (90,619)    | (41,949)    |
| Changes in assets and liabilities:                                            |             |             |
| - (increase)/decrease in trade and other receivables and contract assets      | 327,755     | (422,495)   |
| - (increase)/decrease in other assets                                         | (40,669)    | (361,097)   |
| - (increase)/decrease in deferred tax asset                                   | 1,000,163   | (1,224,575) |
| - (increase)/decrease in income tax receivable                                | 593,277     | (181,309)   |
| - increase/(decrease) in contract liabilities                                 | 1,685,476   | 1,498,798   |
| - increase/(decrease) in trade and other payables                             | 636,944     | 201,487     |
| - increase/(decrease) in deferred tax liability                               | (1,399,927) | 913,143     |
| - increase/(decrease) in employee benefits                                    | 90,847      | 134,555     |
| Cash inflows/(outflows) from operations                                       | 229,395     | (1,195,789) |

#### (b) Credit standby arrangements with banks

|                 |          |          |
|-----------------|----------|----------|
| Credit facility | 75,000   | 75,000   |
| Amount utilised | (26,875) | (32,750) |
|                 | 48,125   | 42,250   |

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 2024

### 25 Tax

#### Current Tax Asset

|                       | 2024   | 2023 |
|-----------------------|--------|------|
|                       | \$     | \$   |
| Income tax receivable | 25,382 | -    |

#### Current Tax Liability

#### Recognised deferred tax assets and liabilities

|                                      |         |           |
|--------------------------------------|---------|-----------|
| Deferred tax assets                  | 801,077 | 1,801,240 |
| Deferred tax liabilities             | 517,610 | 1,917,537 |
| Net deferred tax asset / (liability) | 283,467 | (116,297) |

#### Unrecognised deferred tax assets

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

|            |           |           |
|------------|-----------|-----------|
| Tax losses | 7,892,469 | 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 2024, substantially all tax losses relate to the Group's United States subsidiaries.

#### Deferred Tax Assets

|                                                | Opening<br>Balance | Charged to<br>Income | Over/(under)<br>provision in<br>prior years | Changes in<br>Tax Rate | Closing<br>Balance |
|------------------------------------------------|--------------------|----------------------|---------------------------------------------|------------------------|--------------------|
|                                                | \$                 | \$                   | \$                                          | \$                     | \$                 |
| Property, plant and equipment                  |                    |                      |                                             |                        |                    |
| - tax allowance                                | 854                | -                    | -                                           | -                      | 854                |
| Provisions - employee benefits                 | 356,779            | 15,554               | -                                           | -                      | 372,333            |
| Unrealised foreign exchange                    | 16,936             | (15,896)             | -                                           | -                      | 1,040              |
| Accruals                                       | 18,270             | 5,883                | -                                           | -                      | 24,153             |
| Deferred tax assets attributable to tax losses | 30,156             | 431,926              | -                                           | -                      | 462,082            |
| Leases                                         | 153,670            | 124,324              | -                                           | -                      | 277,994            |
| <b>Balance at 30 June 2023</b>                 | <b>576,665</b>     | <b>561,791</b>       | <b>-</b>                                    | <b>-</b>               | <b>1,138,456</b>   |
| Property, plant and equipment                  |                    |                      |                                             |                        |                    |
| - tax allowance                                | 854                | (854)                | -                                           | -                      | -                  |
| Provisions - employee benefits                 | 372,333            | 22,276               | -                                           | -                      | 394,609            |
| Unrealised foreign exchange                    | 1,040              | 9,507                | -                                           | -                      | 10,547             |
| Accruals                                       | 24,153             | 10,599               | -                                           | -                      | 34,752             |
| Deferred tax assets attributable to tax losses | 462,082            | (321,976)            | -                                           | -                      | 140,106            |
| Leases                                         | 277,994            | (56,931)             | -                                           | -                      | 221,063            |
| <b>Balance at 30 June 2024</b>                 | <b>1,138,456</b>   | <b>(337,379)</b>     | <b>-</b>                                    | <b>-</b>               | <b>801,077</b>     |

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 25 Tax continued

#### Deferred Tax Liabilities

|                                         | Opening<br>Balance | Charged to<br>Income | Charged<br>directly to<br>Equity | Changes in<br>Tax Rate | Closing<br>Balance |
|-----------------------------------------|--------------------|----------------------|----------------------------------|------------------------|--------------------|
|                                         | \$                 | \$                   | \$                               | \$                     | \$                 |
| Prepayments                             | 574,902            | 106,646              | -                                | -                      | 681,548            |
| Property, plant and equipment           | 44,823             | (34,604)             | -                                | -                      | 10,219             |
| Unrealised foreign currency gains       | 249,077            | 77,189               | (28,246)                         | -                      | 298,020            |
| Leases                                  | 135,592            | 129,374              | -                                | -                      | 264,966            |
| <b>Balance at 30 June 2023</b>          | <b>1,004,394</b>   | <b>278,605</b>       | <b>(28,246)</b>                  | <b>-</b>               | <b>1,254,753</b>   |
| Prepayments                             | <b>681,548</b>     | <b>(583,995)</b>     | -                                | -                      | <b>97,553</b>      |
| Property, plant and equipment           | <b>10,219</b>      | <b>(3,911)</b>       | -                                | -                      | <b>6,308</b>       |
| Unrealised foreign currency gains       | <b>298,020</b>     | <b>(57,659)</b>      | <b>(31,411)</b>                  | -                      | <b>208,950</b>     |
| Leases                                  | <b>264,966</b>     | <b>(60,167)</b>      | -                                | -                      | <b>204,799</b>     |
| <b>Balance at 30 June 2024</b>          | <b>1,254,753</b>   | <b>(705,732)</b>     | <b>(31,411)</b>                  | <b>-</b>               | <b>517,610</b>     |
| <b>Net DTA after offset against DTL</b> | <b>(116,297)</b>   | <b>368,353</b>       | <b>31,411</b>                    | <b>-</b>               | <b>283,467</b>     |

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 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 27.5%. 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

# Prophecy International Holdings Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 26 Operating Segments continued

#### (e) Segment performance

|                                        | Legacy             |                    | SNARE              |                  | eMite             |                   | Total              |                    |
|----------------------------------------|--------------------|--------------------|--------------------|------------------|-------------------|-------------------|--------------------|--------------------|
|                                        | 2024               | 2023               | 2024               | 2023             | 2024              | 2023              | 2024               | 2023               |
|                                        | \$                 | \$                 | \$                 | \$               | \$                | \$                | \$                 | \$                 |
| <b>REVENUE</b>                         |                    |                    |                    |                  |                   |                   |                    |                    |
| External sales                         | 695,000            | 745,880            | 8,252,504          | 7,947,676        | 13,924,704        | 10,913,531        | 22,872,208         | 19,607,087         |
| Other revenue                          | 4,125              | 3,991              | 1,625              | 169              | 314,495           | 76,909            | 320,245            | 81,069             |
| <b>Total segment revenue</b>           | <b>699,125</b>     | <b>749,871</b>     | <b>8,254,129</b>   | <b>7,947,845</b> | <b>14,239,199</b> | <b>10,990,440</b> | <b>23,192,453</b>  | <b>19,688,156</b>  |
| <b>Segment operating profit/(loss)</b> | <b>(3,234,395)</b> | <b>(2,682,045)</b> | <b>(1,694,834)</b> | <b>(878,604)</b> | <b>325,042</b>    | <b>125,731</b>    | <b>(4,604,187)</b> | <b>(3,434,918)</b> |

#### (f) Segment assets

|                       |           |           |           |           |            |            |            |            |
|-----------------------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|
| <b>Segment assets</b> | 1,305,438 | 2,866,233 | 6,763,112 | 7,578,202 | 16,454,653 | 16,521,308 | 24,523,203 | 26,965,743 |
| - Capital expenditure | 8,250     | 29,845    | 23,540    | 88,670    | 11,117     | 48,781     | 42,907     | 167,296    |

#### (g) Segment liabilities

|                            |           |           |           |           |           |           |            |            |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| <b>Segment liabilities</b> | 2,496,595 | 2,850,895 | 6,626,488 | 6,861,118 | 7,606,913 | 5,034,578 | 16,729,996 | 14,746,591 |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 26 Operating Segments continued

#### (h) Reconciliations

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

|                       | 2024       | 2023       |
|-----------------------|------------|------------|
|                       | \$         | \$         |
| Total segment revenue | 22,872,208 | 19,607,087 |

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

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

|                                                   |             |             |
|---------------------------------------------------|-------------|-------------|
| Segment net operating profit/(loss)               | (4,604,187) | (3,434,918) |
| Other income – Research and development incentive | -           | 618,659     |
| Income tax (expense)/benefit                      | 374,824     | 337,642     |
| Total net profit after tax                        | (4,229,363) | (2,478,617) |

##### Reconciliation of segment assets to the consolidated statement of financial position

|                                                                   |              |              |
|-------------------------------------------------------------------|--------------|--------------|
| Segment operating assets                                          | 41,180,434   | 51,370,782   |
| Intersegment eliminations                                         | (21,897,763) | (30,466,529) |
| Deferred and current tax assets (net)                             | 308,849      | -            |
| Intangible assets                                                 | 5,240,532    | 6,061,490    |
| Total assets per the consolidated statement of financial position | 24,832,052   | 26,965,743   |

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

|                                                                        |              |              |
|------------------------------------------------------------------------|--------------|--------------|
| Segment liabilities                                                    | 57,326,979   | 61,277,637   |
| Intersegment eliminations                                              | (40,596,983) | (46,531,047) |
| Deferred tax liabilities (net)                                         | -            | 116,297      |
| Total liabilities per the consolidated statement of financial position | 16,729,996   | 14,862,887   |

#### (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.

|                         | 2024       |            | 2023       |            |
|-------------------------|------------|------------|------------|------------|
|                         | Revenue    | Assets     | Revenue    | Assets     |
| Australia & New Zealand | 4,998,819  | 17,820,089 | 2,871,141  | 21,982,686 |
| North America           | 15,758,017 | 5,997,048  | 14,984,409 | 5,743,654  |
| Europe                  | 1,663,911  | 727,234    | 1,747,742  | 768,164    |
| Asia                    | 112,446    | 287,681    | 3,795      | 272,479    |
| Middle East             | 334,513    | -          | -          | -          |
| Africa                  | 4,502      | -          | -          | -          |
|                         | 22,872,208 | 24,832,052 | 19,607,087 | 28,766,983 |

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 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:

|                              | 2024             | 2023             |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| Short-term employee benefits | 1,746,027        | 2,133,135        |
| Long-term benefits           | 20,765           | 54,948           |
| Post-employment benefits     | 108,467          | 120,654          |
| Share-based payments         | 110,255          | 15,936           |
|                              | <b>1,985,514</b> | <b>2,324,673</b> |

Disclosures relating to key management personnel are set out in the remuneration report 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:

|                                                                                                                                                                         | 2024          | 2023          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                                                         | \$            | \$            |
| 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 additional consulting services to the Group.                                       | 6,646         | 6,576         |
| 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. | 26,400        | 16,698        |
|                                                                                                                                                                         | <b>33,046</b> | <b>23,274</b> |

Notes to the Financial Statements  
 For the Year Ended 30 June 2024

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 | 2024<br>\$        | 2023<br>\$        |
|-------------------------------------------------|------|-------------------|-------------------|
| <b>Financial Assets</b>                         |      |                   |                   |
| Cash and cash equivalents                       | 9    | 11,710,885        | 11,735,885        |
| Financial assets                                | 10   | 102,644           | 100,400           |
| Trade and other receivables                     | 11   | 2,938,982         | 3,942,699         |
| <b>Total financial assets</b>                   |      | <b>14,752,511</b> | <b>15,778,984</b> |
| <b>Financial Liabilities at amortised costs</b> |      |                   |                   |
| Trade and other payables                        | 17   | 2,479,311         | 1,842,422         |
| Lease liabilities                               | 16   | 884,252           | 1,314,057         |
| <b>Total financial liabilities</b>              |      | <b>3,363,563</b>  | <b>3,156,479</b>  |

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:

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 28 Financial Risk Management continued

#### Specific financial risk exposures and management

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

##### (a) Credit risk

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

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 2024.

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.

Notes to the Financial Statements  
For the Year Ended 30 June 2024

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     |           |
|----------------------------------------------|---------------|-----------|--------------|------|-----------|-----------|
|                                              | 2024          | 2023      | 2024         | 2023 | 2024      | 2023      |
|                                              | \$            | \$        | \$           | \$   | \$        | \$        |
| <b>Financial liabilities due for payment</b> |               |           |              |      |           |           |
| Trade and other payables                     | 2,479,311     | 1,842,422 | -            | -    | 2,479,311 | 1,842,422 |

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.

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 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   | SGD      | PHP     | Total AUD   |
| 2024                        | \$                                            | \$       | \$        | \$    | \$       | \$      | \$          |
| Consolidated                |                                               |          |           |       |          |         |             |
| Trade and other receivables | 2,399,567                                     | 101,426  | 148,515   | -     | -        | -       | 2,649,508   |
| Trade and other payables    | (827,768)                                     | -        | (162,103) | -     | (28,072) | (3,770) | (1,021,713) |
| 2023                        |                                               |          |           |       |          |         |             |
| Consolidated                |                                               |          |           |       |          |         |             |
| Trade and other receivables | 2,883,501                                     | -        | 245,984   | 4,750 | -        | -       | 3,134,235   |
| Trade and other payables    | (741,126)                                     | (52,555) | (181,266) | -     | -        | (2,429) | (977,376)   |

Forward exchange contracts

There were no outstanding forward exchange contracts as at 30 June 2024 or 30 June 2023.

#### 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, Euro - Australian Dollar exchange rate and the Philippine Peso – Australian Dollar exchange rate. There have been no changes in the assumptions calculating this sensitivity from prior years.

The year end rate is 0.66 US dollars, 0.52 UK pounds, 0.62 Euros and 38.87 Pesos.

If the Australian Dollar had strengthened and weakened against the US dollar, UK pound and Euro by 10% (30 June 2023: 10%) and 10% (30 June 2023: 10%) respectively then this would have had the following impact:

|             | 2024      |           | 2023      |           |
|-------------|-----------|-----------|-----------|-----------|
|             | +10%      | -10%      | +10%      | -10%      |
| <b>USD</b>  |           |           |           |           |
| Net results | (963,554) | 1,177,677 | (848,654) | 1,037,244 |
| Equity      | (137,716) | 168,319   | (129,290) | 158,022   |
| <b>GBP</b>  |           |           |           |           |
| Net results | (321)     | 392       | (56,627)  | 69,211    |
| Equity      | (40,977)  | 50,083    | (48,845)  | 59,700    |
| <b>Euro</b> |           |           |           |           |
| Net results | (69)      | 84        | (3,286)   | 4,016     |
| Equity      | -         | -         | -         | -         |
| <b>PHP</b>  |           |           |           |           |
| Net results | -         | -         | -         | -         |
| Equity      | (2,910)   | 3,556     | (234)     | 286       |

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.

## Notes to the Financial Statements

For the Year Ended 30 June 2024

### 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 consistent with the accounting policies of the Group.

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.

|                                                                   | 2024         | 2023         |
|-------------------------------------------------------------------|--------------|--------------|
|                                                                   | \$           | \$           |
| <b>Statement of Financial Position</b>                            |              |              |
| Assets                                                            |              |              |
| Current assets                                                    | 6,892,746    | 7,220,418    |
| Non-current assets                                                | 18,151,046   | 16,549,115   |
| Total Assets                                                      | 25,043,792   | 23,769,533   |
| Liabilities                                                       |              |              |
| Current liabilities                                               | 10,789,499   | 10,727,534   |
| Non-current liabilities                                           | 204,799      | 939,143      |
| Total Liabilities                                                 | 10,994,298   | 11,666,677   |
| Equity                                                            |              |              |
| Issued capital                                                    | 35,822,379   | 35,809,479   |
| Retained earnings                                                 | (22,017,378) | (23,873,397) |
| Share option reserve                                              | 244,493      | 166,774      |
| Total Equity                                                      | 14,049,494   | 12,102,856   |
| <b>Statement of Profit or Loss and Other Comprehensive Income</b> |              |              |
| Total profit or loss for the year                                 | (124,670)    | (2,091,439)  |
| <b>Total comprehensive income</b>                                 | (124,670)    | (2,091,439)  |

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2024**

**29 Parent entity continued**

**Guarantees**

The parent entity has not entered into any guarantees as at 30 June 2024 or 30 June 2023.

**Contingent liabilities**

The parent entity did not have any contingent liabilities as at 30 June 2024 or 30 June 2023.

**Contractual commitments**

The parent entity did not have any commitments as at 30 June 2024 or 30 June 2023.

# Notes to the Financial Statements

## For the Year Ended 30 June 2024

### 30 Share-based payments

Share-based payments expense during the period is \$110,255 (2023: \$41,949) which relates to performance rights issued to KMP and other employees of the Company.

#### Performance rights

In July 2023, the Company issued 15,000 performance rights under the Employee Share Scheme vesting upon meeting performance conditions.

During the year ended 30 June 2024, 81,500 performance rights vested upon meeting performance conditions but remained unexercised at 30 June 2024.

As at 30 June 2024, 46,500 performance rights remained unvested (2023: 73,500), the performance conditions of which are as below:

| Performance Rights | Expiry Date     | Vesting Conditions                     |
|--------------------|-----------------|----------------------------------------|
| 5,000              | 22 July 2024    | Continuous employment within the group |
| 2,000              | 20 August 2024  | Continuous employment within the group |
| 20,000             | 1 February 2025 | Continuous employment within the group |
| 3,500              | 3 June 2025     | Continuous employment within the group |
| 3,500              | 15 June 2025    | Continuous employment within the group |
| 5,000              | 22 July 2025    | Continuous employment within the group |
| 2,500              | 20 August 2025  | Continuous employment within the group |
| 5,000              | 22 July 2026    | Continuous employment within the group |

*Accounting policy for share-based payments*  
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Notes to the Financial Statements

For the Year Ended 30 June 2024

30 Share-based payments continued

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited. If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2024**

**31 Company Details**

The registered office and principal place of business of the company is:  
Prophecy International Holdings Limited and Controlled Entities  
Level 5  
60 Waymouth Street  
Adelaide SA 5000

## Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

### Consolidated Entity Disclosure Statement (CEDS) For the Year Ended 30 June 2024

#### Basis of Preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the Corporations Act 2001 and includes required information for each entity that was part of the consolidated entity as at the end of the financial year.

#### *Consolidated entity*

This CEDS includes only those entities consolidated as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements (AASB 10).

#### *Determination of Tax Residency*

Section 295 (3A) of the Corporations Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgment as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

#### *Australian tax residency*

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5 Income tax: central management and control test of residency.

#### *Foreign tax residency*

Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with.

#### *Partnerships and Trusts*

Australian tax law does not contain specific residency tests for partnerships and trusts. Generally, these entities are taxed on a flow-through basis so there is no need for a general residence test. There are some provisions which treat trusts as residents for certain purposes but this does not mean the trust itself is an entity that is subject to tax.

Additional disclosures on the tax status of partnerships and trusts have been provided where relevant

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## Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

### Consolidated Entity Disclosure Statement (CEDS)

For the Year Ended 30 June 2024

#### Consolidated Entity Disclosure Statement

For the Year Ended 30 June 2024

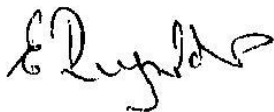
| Entity Name                                                  | Type of Entity | Trustee, partner or participant in JV | % of share capital | Country of incorporation | Australian resident or foreign resident | Foreign jurisdiction(s) of foreign residents |
|--------------------------------------------------------------|----------------|---------------------------------------|--------------------|--------------------------|-----------------------------------------|----------------------------------------------|
| Prophecy International Holdings Limited (Parent Entity)      | Body corporate |                                       |                    | Australia                | Australian                              | n/a                                          |
| Intersect Alliance International Pty Ltd                     | Body corporate |                                       | 100                | Australia                | Australian                              | n/a                                          |
| Prophecy International Pty Ltd as trustee for CSP Unit Trust | Body corporate | Trustee                               | 100                | Australia                | Australian                              | n/a                                          |
| Prophecy R&D Pty Ltd                                         | Body corporate |                                       | 100                | Australia                | Australian                              | n/a                                          |
| Prophecy Americas' Inc                                       | Body corporate |                                       | 93                 | United States of America | Foreign                                 | United States of America                     |
| Prophecy Europe Limited                                      | Body corporate |                                       | 100                | United Kingdom           | Foreign                                 | United Kingdom                               |
| eMite Pty Ltd                                                | Body corporate |                                       | 100                | Australia                | Australian                              | n/a                                          |
| Prophecy Software Solutions Philippines Inc                  | Body corporate |                                       | 100                | Philippines              | Foreign                                 | Philippines                                  |

Directors' Declaration  
For the Year Ended 30 June 2024

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2024 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;
  - c. the consolidated financial statements and notes for the financial year give a true and fair view; and
  - d. the information disclosed in the consolidated entity disclosure statement is true and correct.
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.
4. the information disclosed in the consolidated entity disclosure statement is true and correct

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



Director .....  
Ed Reynolds



Director .....  
Leanne Challans

Dated this 26th day of September, 2024

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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 2024, 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 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.

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### 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.

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue recognition – Note 1 (m) and 2</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <p>The Group recorded revenue of \$22,872,208 for the year ended 30 June 2024. Revenue is the key driver of the Group and is generated through multiple streams, including:</p> <ul style="list-style-type: none"> <li>• License sales;</li> <li>• Maintenance fees; and</li> <li>• Consulting sales</li> </ul> <p>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 standards and accounting policies detailed in Note 1(m).</p> <p>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.</p> <p>Revenue is a key audit matter due to the volume of transactions and the complexity in the revenue recognition of the different streams.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting the processes and assessing whether internal controls are designed effectively relating to revenue recognition under the five-step model of AASB 15 <i>Revenue from Contracts with Customers</i> ;</li> <li>• Reviewing revenue recognition policies of individual customer agreements and contractual arrangements to ensure compliance with AASB 15;</li> <li>• Testing a sample of revenue transactions by agreeing the amounts to contract terms, delivery of performance obligations and other supporting documentation;</li> <li>• Analytically reviewing revenue streams against the prior corresponding period to identify and assess potential anomalies;</li> <li>• Reviewing management’s information and key estimates relating to incremental costs to obtain customer contracts; and</li> <li>• Assessing the appropriateness of the Group’s disclosures within the financial statements.</li> </ul> |

### 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 2024, 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 (other than the consolidated entity disclosure statement); and
- the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii the consolidated entity disclosure statement that is true and correct and is free of 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](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 2024.

In our opinion, the Remuneration Report of Prophecy International Holdings Limited, for the year ended 30 June 2024 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 AUDIT PTY LTD  
Chartered Accountants

J L Humphrey  
Partner – Audit & Assurance

Adelaide, 26 September 2024

Additional Information for Listed Public Companies  
For the Year Ended 30 June 2024

**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 26 September 2024.

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

**Voting rights**

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

*Options*  
No voting rights.

**Distribution of equity security holders**

| Holding          | Ordinary shares |         |
|------------------|-----------------|---------|
|                  | Shares          | Options |
| 1 - 1,000        | 380             | 0       |
| 1,001 - 5,000    | 483             | 0       |
| 5,001 - 10,000   | 257             | 0       |
| 10,001 - 100,000 | 419             | 0       |
| 100,000 and over | 79              | 0       |
| Total            | 1,618           | 0       |

There were 257 holders of less than a marketable parcel of ordinary shares.

Additional Information for Listed Public Companies  
For the Year Ended 30 June 2024

| Rank | Twenty Largest Shareholders                                                  | Numbers Held | % of Ordinary |
|------|------------------------------------------------------------------------------|--------------|---------------|
| 1.   | BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAIL CLIENT DRP)                  | 7,882,720    | 10.71%        |
| 2.   | REYER INVESTMENTS PTY LTD (SUPER FUND A/C)                                   | 7,830,000    | 10.63%        |
| 3.   | NATIONAL NOMINEES LIMITED – AUSTRALIAN ETHICAL INVESTMENT LTD                | 6,477,691    | 8.80%         |
| 4.   | DUNMOORE PTY LTD                                                             | 4,764,052    | 6.47%         |
| 5.   | J P MORGAN NOMINEES AUSTRALIA LIMITED                                        | 3,619,182    | 4.92%         |
| 6.   | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2                            | 3,471,171    | 4.71%         |
| 7.   | CITICORP NOMINEES PTY LIMITED                                                | 2,812,808    | 3.82%         |
| 8.   | MR STUART CRAIG GEROS+MRS MICHELLE DOROTHY GEROS (THE EMERALD POINT FAM A/C) | 1,657,548    | 2.25%         |
| 9.   | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                                    | 1,405,380    | 1.91%         |
| 10.  | TEN TALENTS <FIVE TALENTS A/C>                                               | 1,239,376    | 1.68%         |
| 11.  | HOLDEN HOLDEN + ASSOCIATES PTY LTD                                           | 1,017,875    | 1.38%         |
| 12.  | CUSTODIAL SERVICES LIMITED (BENEFICIARIES HOLDING A/C)                       | 837,834      | 1.14%         |
| 13.  | MS CHRISTINE A HOLDEN + MR BRIAN P TOWLER (CHRISTINE HOLDEN S/F A/C)         | 800,000      | 1.09%         |
| 14.  | MRS L R CHALLANS + MR S W CHALLANS                                           | 774,880      | 1.05%         |
| 15.  | MRS GLENIS NITA O'DONNELL                                                    | 555,000      | 0.75%         |
| 16.  | MR DARREL RAY SCHNEIDER <SCHNEIDER FAMILY JV A/C>                            | 552,159      | 0.75%         |
| 17.  | SMOOTHWARE PTY LTD                                                           | 505,730      | 0.69%         |
| 18.  | ANDAMAX INVESTMENTS PTY LTD                                                  | 460,000      | 0.62%         |
| 19.  | MR PETER JOSEPH BARZEN                                                       | 423,000      | 0.57%         |
| 20.  | MR SEAN PATRICK MARTIN <THE AVEBURY FAMILY A/C>                              | 420,591      | 0.57%         |

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## Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Additional Information for Listed Public Companies

For the Year Ended 30 June 2024

### Substantial Shareholders

Substantial shareholders in the company are set out below:

| Name                                                         | Ordinary Shares | % held |
|--------------------------------------------------------------|-----------------|--------|
| BNP PARIBAS NOMINEES PTY LTD                                 | 7,882,720       | 10.71% |
| REYER INVESTMENTS PTY LTD (SUPER FUND A/C)                   | 7,830,000       | 10.63% |
| NATIONAL NOMINEES LTD –<br>AUSTRALIAN ETHICAL INVESTMENT LTD | 6,477,691       | 8.80%  |
| 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.

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