2012
2013
annual report

Prophecy **International Holdings Limited**

Corporate Directory
30 June 2013

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

Directors
Edwin Reynolds
Anthony P Weber
Leanne R Challans

Company Secretary
Grant R Miles

Registered Office
Level 2, 124 Waymouth Street
Adelaide
South Australia 5000
Telephone + 61 8 8211 6188
Facsimile + 61 8 8211 6224

Brisbane Office
Unit 10, 1990 Logan Road
Mt Gravatt QLD 4122
Australia
Telephone + 61 7 3849 5811
Facsimile + 61 7 3849 7133

Subsidiaries
Prophecy Americas Inc
5445 DTC Parkway, P4
Greenwood Village, CO 80111 USA
Telephone: +1 303 846 3044
Facsimile: +1 303 846 3045

Prophecy Europe Ltd
Holland House
1-5 Oakfield
Sale, Cheshire M33 6TT
United Kingdom

Promadis Pty Ltd
Level 2, 124 Waymouth Street
Adelaide
South Australia 5000
Telephone: +61 8 8212 1516
Facsimile + 61 8 8211 6224

Intersect Alliance International Pty Ltd
Level 2, 124 Waymouth Street
Adelaide
South Australia 5000
Telephone + 61 8 8211 6188
Facsimile + 61 8 8211 6224

Email
info@prophecyinternational.com

Internet
prophecyinternational.com
basis2.com
promadis.com
intersectalliance.com

Share Registry
Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000
GPO Box 1903
Adelaide
South Australia 5001

Phone (from within Australia): 1300 556 161
Phone (from overseas) : + 61 3 9415 4000
Email: web.queries@computershare.com.au
www.computershare.com

Auditors
Grant Thornton South Australian Partnership
Level 1
67 Greenhill Road
Wayville
South Australia 5034

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

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

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

Company Profile
30 June 2013

Prophecy designs, develops and markets software through its business partner channel to companies worldwide. Since 1980, our software has been used by large and complex organisations worldwide. Our technology allows dramatic improvements in the development of customer service and business systems.

Prophecy has built a strong reputation for its innovative business software solutions and has established offices in Australia and the United States. These offices are also the support hubs for our network of business partners. Prophecy software has been deployed at over 500 sites in areas such as Australia, New Zealand, Asia, the US, the Caribbean, Britain, Europe and South Africa.

PRODUCT SET
Our product set has expanded to include basis2, e-foundation, Promadis products and Intersect Alliance technology, all of which are quality, market driven products, built using the latest technologies by highly skilled staff.

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

The flexibility of basis2 enables it to be used for any metered, value or time measured product or service, therefore it is not limited to use only within the utilities industry. It can also be used by organisations such as councils and universities, needing to bill customers for a range of products and services. Prophecy has over 13 years experience in the utilities industry and a comprehensive understanding of the way utility companies work. basis2 has been developed in and for the Oracle RDBMS (Relational Database Management System) and Application Server technology, the single most commonly-used database and enterprise platform. The Oracle environment was used specifically to capitalise on the power and 'future-proofing' capabilities offered by this world leading technology. In addition to being developed in Oracle, basis2 also integrates with the Oracle E-Business Suite. The integration allows Oracle E-Business Suite and basis2 to seamlessly provide information critical to utility customers.

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

e-Foundation includes: Prophecy Framework
A rapid application assembly tool that offers fast to market solutions.

Prophecy Business Applications
Financials, Procurement, Distribution and Asset Management modules for medium to large organisations that require enterprise-wide solutions.

Company Profile
30 June 2013

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

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

Promadis Forensic Science LIMS+CSI
A highly efficient software solution that has been especially designed to meet the exacting needs of Police Forensic Science.

As such, it is not just about delivering comprehensive case management capabilities. It is not just about providing a total Crime Scene and Laboratory solution. And nor is it just about offering potent management tools for day-to-day operations. Rather, LIMS+CSI’s role is to bring together all three of these essential capabilities into a single totally integrated IT application. The result is an application which places major emphasis on delivering efficiency, service delivery, quality standards and control.

We are well aware that the demand on every Police Forensic Science section is to provide outstanding support services, and to adopt new sciences and techniques, while generally facing today’s inevitably harsh budgetary pressures. And we also recognise that increased government regulation, new legislation, more comprehensive reporting and increasingly demanding clients, all add to the complexity of day to day Forensic Policing.

Promadis Cardiology
At the heart of the Promadis Cardiology Clinical system is a comprehensive suite of well proven software modules that have been designed to potently support each and every aspect of patient management. This includes those parts of the system that address electronic medical records, automatic letters and templates, appointment schedules, scripts, pathology, diagnostic imaging, MIMS and consultation wizards. Also included is our most recent major enhancement, the evidence based heart failure assessment module.

But in delivering these essential facilities and features, Promadis also argues that the system must also precisely mirror your processes and procedures. It must work the way you work and do things the way you do. To achieve that end, all Promadis implementations take our family of core applications and then custom design a totally specific solution. One that will precisely match each practice’s exact requirements,specialist focus, day-to-day procedures and strategic ambitions.

This tailor made methodology is highly consultative. One in which experienced Promadis analysts work with you, and your team, to meticulously define exactly what it is you want from your IT. This commitment to customisation also means that your Promadis system can be simply, economically and efficiently modified. So as any number of things change in your practice, IT can readily change with them. As such, this means that your software always remains current and your investment is protected through the long term.

Promadis Business Services
Promadis Business Systems aim to combine the stability of a packaged solution with the flexibility required to meet the diverse needs of many different types of businesses.

The product comprises a proven set of building blocks, covering financial/commercial, distribution and manufacturing systems. These building blocks are combined and customised through a consultative process which reflects the reality that every customer's exact requirements, business operations, industry demands and strategic ambitions are different.

Company Profile
30 June 2013

SNARE from Intersect Alliance

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

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

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

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

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

Contents

30 June 2013

Message from the Chairman
For the Year Ended 30 June 2013

Dear Fellow Shareholder,

The 2012-13 year has produced an excellent result with a before tax profit of $1.77 million compared to $1.23 million last year. This has been a very good performance, achieved despite the strong A$ rate throughout the course of the financial year.

Revenues for the year rose to $6.9 million from last year's level of $6.7 million. This is our best recent revenue result, setting a trend that the Directors aim to keep improving. A high level of software licence revenue relative to services revenue was maintained for the year, enabling higher profits to be achieved. Our expectation is for continued growth in software licence revenues in the 2013-14 year.

Cash on hand at the end of June 2013 was $2.69 million, well up from last year's position of $1.89 million. Net cash provided by operating activities amounted to a very pleasing $2.34 million. As announced after the year end close, Prophecy completed a placement of new shares which raised an additional $2.02 million, bringing cash on hand up to over $4.7 million.

Dividends paid out in the year amounted to $1.51 million, up from $0.63 million in the previous year. A final dividend of 1.5c per share has been declared to complete the year, bringing the full year dividend to 3.5 cents per share. The last 7 years has seen dividends totalling 20.5 cents per share

Prophecy maintains a very strong balance sheet with no debt, cash on hand and valuable intellectual property assets that are not 100% recognised on its books, as all development is expensed.

Prophecy continues to run four business units, comprising:

- **basis2 Utilities and Tax Billing Suite**
  On the Utilities billing software front, the basis2 implementation project for the City of Yonkers in New York State was completed during the course of the year. It was a highly successful project and all staff involved are to be congratulated on their dedication and the excellence of their customer service. In addition, the implementation project for the city of Addis Ababa in Ethiopia, conducted by our partner Giza Systems has also been progressing well with final production cutover achieved after the year end.

  New sales for basis2 were slow in the year, but we have built a very good set of opportunities that look to close in the first part of the 2014 financial year

- **Legacy offerings, Prophecy Classic, ProphecyOpen and e-Foundation**
  The legacy systems have been running as a profitable unit for some time, continuing to do so in the 2012-13 year. These mature products provide stable and secure solutions for our traditional customers. They have performed very well over the past year and maximum uptimes have been achieved. Our e-Foundation rapid application development software continues to show its strengths with timely delivery of customer enhancements in short time periods.

- **Promadis**
  Promadis has continued to make solid progress with its Births, Deaths and Marriages(BDM) registry software. Two major projects for the Australian Capital Territory Office of Regulatory Services resulted in a go live status during July 2013. A new project to complement the existing BDM solution in South Australia also went live. This project provides the ability for parents to register their children’s births online and it represents the first time an Australian state has been able to provide such a facility. Continued interest in the BDM software is expected to result in a new project for implementation in the 2013-2014 year.

- **Intersect Alliance**
  The Intersect Alliance business revolves around the Snare product set which operates in the security part of the software market. The Snare solution has a very strong reputation with worldwide recognition through many well known government and large corporate users. Its sales model incorporates a larger number of smaller sales than our other products provide, leading to smoother revenue and profit flows. Prophecy has added both sales and development resources to allow this business to grow its invoiced new sales by 30% in the year. As a result, total revenues grew by 21% and even though we have added new costs, the business still achieved a respectable profit. The Snare product set still has tremendous growth opportunities which we plan to exploit during the 2013-14 year. It continues to be an exciting business with great potential going forward.

Message from the Chairman

For the Year Ended 30 June 2013

Based on the excellent profit improvement seen in this year's result, the Board is focussed on additional improvements, and expects that the 2013-14 year will produce improved revenues and increased profit.

Our staff have once again performed very well during the year, bringing a number of significant projects to a successful conclusion, on time and on budget.

Work has been progressing on our next acquisition with many opportunities reviewed so far. We are working with strict criteria to ensure that our next purchase once again adds value to the Prophecy Group. We expect this next acquisition to take place during the 2014 financial year.

Ed Reynolds
Chairman

Directors' Report
30 June 2013

Your 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 2013.

1. General information

Information on directors

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

Ed Reynolds

Qualifications	Bachelor of Science
Experience	Ed was appointed Non-executive Chairman on 8th December 2006. He has held various positions within the IT industry, which has given him wide-ranging and extensive experience. Ed joined Prophecy as general manager in 1987 and contributed to the company in various roles, including CEO. In his current Non-Executive role, Ed is passionate about ensuring the company achieves its targets and is on track to deliver future success.
Interest in Shares and Options	8,000,000 ordinary shares in Prophecy International Holdings Limited and no options.
Other current directorships in listed entities	None

Anthony P (Tony) Weber

Qualifications	FCPA, FCIS
Experience	Tony has been an active member of the Prophecy Board throughout the past 16 years. He has extensive experience in the IT industry, with a strong focus on finance and general management. Tony's experience with multi-national and public companies provides valuable input and direction to the Prophecy Board. Tony took on the role of Chief Financial Officer and Company Secretary on 19th October 2005. He has since resigned from the Company Secretary role on 21 March 2013.
Interest in Shares and Options	605,000 ordinary shares in Prophecy International Holdings Limited and no options.
Other current directorships in listed entities	None

Leanne Challans

Qualifications	Bachelor of Science
Experience	Leanne joined Prophecy in 1990, with a strong background in software design and development. Her initial role was Product Development Manager for the flagship Prophecy Classic product. The growing partner network for classic opened up new opportunities, so Leanne took on responsibility for Partner Support and Marketing through the mid 1990's. Leanne returned to her strengths in software development in 2000, heading up the successful Emergency Services Levy project, and then managing the development and support of the e-Foundation product suite. She then moved into the role of General Manager, Software & Services, with responsibility for the ongoing development, support and consulting services relating to all of Prophecy International's product lines. Leanne joined the Board of Directors in December 2006, and was appointed Managing Director in July 2007. The acquisition of Intersect Alliance International in August 2011 saw Leanne take on responsibility for the inclusion of this new company into the Prophecy culture, with a focus on growth in this important new part of the group.
Interest in Shares and Options	774,880 ordinary shares in Prophecy International Holdings Limited and no options.
Other current directorships in listed entities	None

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

Directors' Report
30 June 2013

1. General information continued

Principal activities and significant changes in nature of activities

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

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

2. Operating results and review of operations for the year

Operating results

The consolidated profit of the Group amounted to $ 1,268,507, after providing for income tax and eliminating non-controlling equity interests. This represented a 58% increase on the results reported for the year ended 30 June 2012.

Review of operations

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

3. Other items

Significant changes in state of affairs

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

Dividends paid or recommended

Interim unfranked ordinary dividend of 2.0 cents per share paid on 2 April 2013	$ 1,004,196
Final unfranked ordinary dividend of 1.5 cents per share recommended by the Directors with a record date of 11 September 2013 to be paid on 2 October 2013	$ 753,147
2012 final unfranked dividend declared in the prior year, paid on 5 October 2012	$ 502,098

Events after the end of the reporting period

On August 8th the group announced that it has entered into an agreement for the placement of 5.2 million new fully paid ordinary shares at an issue price of 39 cents each to raise $2,028,000. The placement will be made to Microequities Asset Management Pty Ltd and will assist Prophecy building its cash position, ready for its next acquisition. It is expected that the shares will be issued on the 18th September 2013 after the Dividend record date.

Except for the above, 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.

Future developments and results

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

Directors' Report
30 June 2013

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 persons held the position of Company secretary during the financial year:

Anthony P (Tony) Weber had been the company secretary since 2005. Anthony Weber resigned as company secretary on the 21st of March 2013 and Grant Miles was duly appointed. Grant Miles is the Managing Partner of Hayes Knight, SA & NT.

Meetings of directors

During the financial year, 28 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	8	8	6	6
Anthony P (Tony) Weber	12	12	2	2	8	8	6	6
Leanne Challans	12	12	2	2	-	-	-	-

Options

No options over issued shares or interests in the Company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

All options under the Employee Share Option Plan expired on the 29th November 2012.

Indemnification and insurance of officers and auditors

In the financial year, the company has paid premiums of $49,682 in respect of a contract of insurance for all the Directors and Officers of Prophecy International Holdings Limited and its controlled entities against any liability incurred in their roles as Directors or Officers of the company or its controlled entities, except where:

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

Directors' Report
30 June 2013

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 2013:

	2013	2012
	$	$
Taxation services	**33,664**	49,900

Remuneration report (audited)

Remuneration policy

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

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

- The remuneration policy, setting the terms and conditions for the directors and other senior executives, was developed by the Remuneration Committee and approved by the Board.
- All executives receive a base salary (which is based on factors such as responsibilities and experience), superannuation, fringe benefits, options and performance incentives. The Remuneration Committee reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value.
- All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.
- Executives are also entitled to participate in the employee share and option arrangements.
- The non-executive directors receive superannuation contributions but do not receive any other retirement benefits. Australian based executives receive both superannuation contributions and long service leave benefits.

Remuneration report (audited) continued

Remuneration policy continued

- All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares issued to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using a Black-Scholes methodology.

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

As approved by the shareholders at the 2008 Annual General Meeting, the maximum amounts payable to directors in $240,000. This compares with an actual charge of $81,500 in the 2012/13 year.

Performance conditions linked to remuneration

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

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

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

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 and non-performance based and the proportion of remuneration received in the form of options.

		Performance based remuneration		
		Bonus	**Shares**	**Options / rights**
		%	**%**	**%**
Directors	**Position**			
Ed Reynolds	Chairman	-	-	-
Anthony P (Tony) Weber	Director	-	-	-
KMP				
Leanne Challans	Managing Director	5	-	-
Darren Shaw	CEO	6	-	-
Peter Barzen	EVP Sales and Alliances	30	-	-

Remuneration report (audited) continued

Relationship between remuneration policy and company performance

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

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

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

Voting and comments made at the company's 2012 Annual General Meeting

At its 2012 annual general meeting, Prophecy International Holdings Limited received more than 99% of votes in favour of adopting its remuneration report for the 2012 financial year. The company did not receive any specific feedback at the annual general meeting or throughout the year on its remuneration practices.

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

	2009	2010	2011	2012	2013
	$	$	$	$	$
Revenue	6,411,546	5,053,366	4,867,959	6,702,793	6,888,043
Net Profit	3,414,311	333,135	(9,028)	802,282	1,268,507
Dividends Paid	1,817,178	1,974,403	472,099	627,623	1,506,294
Share Price at Year-end	0.53	0.41	0.19	0.21	0.33

Employment contracts of Directors and Senior Executives

The employment conditions of the senior executives are formalised in contracts of employment. Leanne Challans is an employee of Prophecy International Pty Ltd, Peter Barzen is an employee of Prophecy Americas Inc and Darren Shaw is is an employee of Promadis Pty Ltd, which are controlled entities of Prophecy International Holdings Limited.

The employment contracts stipulate a notice period of four weeks. Employment contracts are terminable by the company in accordance with South Australian, Federal and USA laws. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse, except in the case of retirement (either age or health related), redundancy, or death of the employee.

Directors' Report

30 June 2013

Remuneration report (audited) continued

Remuneration details for the year ended 30 June 2013

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

Table of benefits and payments

	Short Term				Post Employment	Total
	cash salary & fees	**bonus**	**consulting fees**	**health care & allowances**	**pension and superannuation**	
2013	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
Ed Reynolds	**35,500**	**-**	**50,308**	**-**	**3,195**	**89,003**
Anthony P (Tony) Weber	**46,000**	**-**	**62,844**	**-**	**9,796**	**118,640**
KMP						
Leanne Challans	**168,301**	**10,568**	**-**	**-**	**16,098**	**194,967**
Darren Shaw	**155,500**	**12,383**	**-**	**30,000**	**13,995**	**211,878**
Peter Barzen	**138,279**	**83,119**	**-**	**18,759**	**35,252**	**275,409**
	543,580	**106,070**	**113,152**	**48,759**	**78,336**	**889,897**

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

Short term bonus for D Shaw relates to commission payments on licence fee revenue from sales of Promadis Pty Ltd products to customers and profit share, in accordance with an incentive plan approved on 27th September 2012. The purpose of the incentive is to increase licence fee revenues and so improve shareholder wealth.

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

The remuneration detailed above includes consultancy fees of $50,308 (2012 - $59,556) paid to Reyer Investments Pty Limited, a company in which E Reynolds is a director and shareholder. The transactions were at arms length.

	Short Term				Post Employment	Total
	cash salary & fees	**bonus**	**consulting fees**	**health care & allowances**	**pension and superannuation**	
2012	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
Ed Reynolds	31,000	-	59,556	-	2,790	93,346
Anthony P (Tony) Weber	41,000	-	58,890	-	8,990	108,880
KMP						
Leanne Challans	163,000	3,001	-		14,895	180,896
Darren Shaw	142,000	5,190	-	30,000	13,247	190,437
Peter Barzen	156,119	32,659	-	15,858	32,295	236,931
	533,119	40,850	118,446	45,858	72,217	810,490

Directors' Report
30 June 2013

Remuneration report (audited) continued

Securities received that are not performance related

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

Proceedings on Behalf of Company

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

Directors' Report

30 June 2013

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2013 has been received and can be found on page 20 of the financial report.

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

Ed Reynolds	Leanne Challans
Chairman	**Director**

Dated this 12th day of September, 2013

Corporate Governance Statement
30 June 2013

The Prophecy International Board and management team remain committed to maintaining a high standard of corporate governance.

Corporate governance includes not only compliance with the specific obligations contained in the Corporations Law, Australian Stock Exchange Listing Rules and Company Articles of Association, but also the principles of ethical behaviour, risk management, and optimising company performance. Prophecy is committed to meeting these obligations and principals in all regions of Australia, together with ensuring compliance with additional relevant standards and regulations in the other countries in which it operates.

Prophecy International Holdings Limited is listed on the Australian Securities Exchange (ASX). Accordingly, unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council (including the 2010 amendments) as well as current standards of best practice for the entire financial year ended 30 June 2013.

Role of the Board of Directors

The Board of Directors at the date of this report were:

Edwin Reynolds B.Sc - Non-Executive Director and Chairman

Anthony P Weber FCPA, FCIS - Non-Executive Director and Chief Financial Officer

Leanne R Challans B.Sc - Managing Director

During the reporting year, the Board of Directors had the responsibility for the overall governance and performance of the Prophecy Group. In fulfilling that responsibility, the Board:

- Sets the strategic direction of the Group.
- Formulates policy guidelines and financial performance targets.
- Establishes levels of authority and approval processes applicable to all management, ensuring that the business risks of the Group's activities can be identified, considered and reviewed.
- Monitors management's running of the business, to ensure implementation of the strategic direction set by the Board.
- Ensures that the company's overseas subsidiaries are audited in accordance with the requirements of the regions in which they operate, and where audit is not formally required, ensures that a comprehensive half yearly and yearly review takes place.
- Establishes the Remuneration Committee, Strategic Committee and Audit Committee described below, and reviews the matters considered and recommendations made by those committees.
- Conducts a regular review of major activities, by analysis of reports from senior management, and ongoing enquiry of senior management as required.

Any issues of particular significance are the subject of external advice from Prophecy's professional advisors. All reasonable steps are taken to ensure that the company behaves in a prudent and ethical manner in its relationships with staff, customers, business partners, suppliers, regulatory authorities and shareholders.

Directors are aware of their obligations to disclose to the Board any material contract in which they have an interest, any association with any other company, and any dealings with the issued securities of Prophecy International Holdings Ltd.

The Board has adopted a policy that unless otherwise specifically approved by the Board, directors and senior executive may only trade Prophecy International Holdings Ltd shares during the 30 day period immediately following half year and full year announcement of results to the Australian Stock Exchange.

Prophecy also establishes and maintains a program to provide an appropriate level of insurance cover for professional indemnity, directors, officers and public and product liability.

Notwithstanding the Board considers its current composition to be appropriate, it has in place an active program for assessing whether individual directors and the Board as a whole have the skills and knowledge necessary to discharge their responsibilities in accordance with the Board's governance arrangements. Any deficiencies identified by this program can be addressed in a number of ways, including training and the employment of specialist staff.

Audit Committee

The Audit Committee was established by the Board in 1998, and continued to meet regularly during the reporting period. Its membership comprises the Non-Executive Director A P Weber (Chairman) and Non-Executive Chairman E Reynolds. A representative of the company's external auditors attends Audit Committee meetings by invitation.

The functions carried out by the Audit Committee are to:

- Provide the Board with an additional review and assurance regarding the accuracy and appropriateness of financial policies adopted in preparation of half year and full year financial results.
- Review internal controls of the Group and its overseas operations (including audit of the risk management policies applicable to the company's business).
- Recommend the scope of external audit activities and fees.
- Audit and review compliance with statutory and regulatory obligations.
- Periodically review the Group's balance sheets.
- Audit and review compliance with the Levels of Authority and approval policies established by the Board.
- Review and recommend improvements to the company's financial, regulatory and other risk management procedures.
- Monitor the financial and regulatory obligations of the company's overseas operations, in particular by requiring and monitoring the close involvement of the Finance Department in ensuring those obligations are met.

Matters dealt with by the Audit Committee and recommendations made by it are reported to and acted upon by the Board.

Strategy Committee

The Strategy Committee was established in July 2001, and continued to meet through the reporting period.

Its membership comprises Non-Executive Chairman E Reynolds (Chairman) and Non-Executive Director A P Weber.

It meets as required to set the strategic direction of the company, and to provide direction on specific opportunities that may arise.

Corporate Governance Statement
30 June 2013

Remuneration Committee

A Remuneration Committee was established in July 2001, and continued to meet through the reporting period.

Its membership comprises Non-Executive Director A P Weber (Chairman) and Non-Executive Chairman E Reynolds.

The Remuneration Committee is responsible for the review of remuneration packages for executive directors and senior management, and the general principles of remuneration for all company staff. It also gives consideration to remuneration issues affecting directors, and makes recommendations to the Board for its review and consideration.

ASX Corporate Governance Council - Corporate Governance - Principles and Recommendations 2nd Edition

The Board has considered each of the eight (8) Principles of Good Corporate Governance and sets out below Prophecy's (PRO) compliance or otherwise with each of the principles.

Principle 1: Lay solid foundations for management and oversight

Principle:
Companies should establish and disclose the respective roles and responsibilities of Board and management.

PRO Position:
PRO have three (3) Board Directors - Chairman, Managing Director and Non-Executive Director, and two (2) Senior Executives. Performance over the past 5 financial years has proved this to be an effective combination

Recommendations:

Recommendation 1.1:
Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

PRO View:
PRO has a documented policy on the Authorities and Delegations of the Board and the Senior Executive Functions.

Recommendation 1.2:
Companies should disclose the process for evaluating the performance of senior executives.

PRO View:
PRO has documented the process for evaluating Senior Executive performance.

Recommendation 1.3:
Companies should provide the information indicated in the Guide to reporting on Principle 1.

PRO View:
No further reporting is considered necessary.

Corporate Governance Statement
30 June 2013

Principle 2: Structure the Board to add Value

Principle:
Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

PRO Position:
PRO have a Board of three (3) experienced directors including the Managing Director. The Board believe that over the past 5 financial years, it has performed an effective job in difficult global conditions and does not require additional directors at this stage.

Recommendations:

Recommendation 2.1:
A majority of the board should be independent directors.

PRO View:
Not possible at this stage without increasing costs considerably.

Recommendation 2.2:
The chair should be an independent director.

PRO View:
Appointing an additional director for the role in not considered cost effective until the company grows considerably.

Recommendation 2.3:
The roles of chair and chief executive office should not be exercised by the same individual.

PRO View:
These roles are split in current organisation.

Recommendation 2.4:
The Board should establish a nomination committee

PRO View:
There is no expectation that an increase in Board numbers will be required in the short term and so a nomination committee is not required.

Recommendation 2.5:
Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

PRO View:
PRO has documented the process for evaluating the performance of the Board, its committees and directors.

Recommendation 2.6:
Companies should provide the information indicated in the Guide to reporting on Principle 2.

PRO View:
No further reporting is considered necessary.

Corporate Governance Statement
30 June 2013

Principle 3: Promote ethical and responsible decision-making

Principle:
To make ethical and responsible decisions companies should not only comply with their legal obligations, but should also consider the reasonable expectations of their stakeholders including; shareholders, employees, suppliers, creditors, consumers and the broader community in which they operate.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Accordingly, the company is drafting a diversity policy to be implemented over the next twelve months.

This diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board is developing the following objectives regarding gender diversity and aims to achieve these objectives over the next five years as director and senior executive positions become vacant and appropriately qualified candidates become available:

	2013		**2014-2019**	
	No.	%	**No.**	**%**
Women on the Board	1	33	1	33
Women in senior management roles	2	40	3	50
Women employees in the company	9	31	12	38

Recommendations

Recommendation 3.1:
Companies should establish a code of conduct and disclose the code or a summary of the code.

PRO View:
PRO have a documented Code of Conduct policy.

Recommendation 3.2:
Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.

PRO View:
Such a policy exists

Recommendation 3.3:
Companies should provide the information indicated in the Guide to reporting on Principle 3.

PRO View:
No further reporting is considered necessary.

Recommendation 3.4:
The company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Our recruitment processes encourage the development of diversity in our workplaces, bearing in mind that employees must have the required technological skills to be successful in their positions.

PRO View:
The board has drafted a diversity policy and it will be finalised and introduced over the next 12 months.

Corporate Governance Statement
30 June 2013

Principle 4: Safeguard integrity in financial reporting

Principle:
Companies should have a structure to independently verify and safeguard the integrity of their financial reporting. This requires companies to put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the company's financial position. The structure would include, for example:

- A review and consideration of the financial statements by the audit committee
- A process to ensure the independence and competence of the company's external auditors.

PRO Position:
Monthly, half and full year financial reports are prepared by the Group accountant, reviewed by the CFO and approved at a detailed level at monthly board meetings. The audit committee with external auditors present review and recommend approval of half and full year financial statements.

Recommendations:

Recommendation 4.1:
The board should establish an audit committee.

PRO View:
An audit committee exists.

Recommendation 4.2:
The audit committee should be structured so that it:

- consists of only non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not chair of the board
- has at least three members.

PRO View:
The small size and composition of the current board does not allow all of these recommendations to be put in place. The external auditors attend most audit committee meetings.

Recommendation 4.3:
The audit committee should have a formal charter.

PRO View:
This charter exists.

Recommendation 4.4:
Companies should provide the information indicated in the Guide to reporting on Principle 4.

PRO View:
No additional reporting is required.

Corporate Governance Statement
30 June 2013

Principle 5: Make timely and balanced disclosure

Principle:
Companies should put in place mechanisms designed to ensure compliance with the ASX Listing Rule requirements.

Recommendations:

Recommendation 5.1:
Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

PRO View:
History shows that PRO Board submit numerous ASX announcements to keep market and shareholders informed of material information concerning the company.

Recommendation 5.2:
Companies should provide the information indicated in the Guide to reporting on Principle 5.

PRO View:
PRO has a documented Disclosure Policy.

Principle 6: Respect the rights of shareholders

Principle:
Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendations

Recommendation 6.1:
Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy.

PRO View:
The Board believe they communicate adequately with a majority in size of shareholders. PRO have a documented Communications Policy.

Recommendation 6.2:
Companies should provide the information indicated in the Guide to reporting on Principe 6.

PRO View:
No additional reporting is considered necessary.

Corporate Governance Statement
30 June 2013

Principle 7: Recognise and manage risk

Principle:
Companies should establish a sound system of risk oversight and management and internal control.

Recommendations

Recommendation 7.1:
Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

PRO View:
At every monthly Board Meeting attended by the Managing Director, risks relating to individual sales programs, together with ongoing implementation projects and software development programs are reviewed in detail.

Recommendation 7.2:
The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

PRO View:
With a small company with only a small number of sales prospects and technical projects in progress at any time, a complex reporting system is not required.

Recommendation 7.3:
The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRO View:
The Board have received this certificate for the 2012/13 year.

Recommendation 7.4:
Companies should provide the information indicated in the Guide to reporting on Principle 7.

PRO View:
No further reporting is considered necessary.

Corporate Governance Statement
30 June 2013

Principle 8: Remunerate fairly and responsibly

Principle:
Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendations

Recommendation 8.1:
The board should establish a remuneration committee.

PRO View:
A remuneration committee exists and is effective.

Recommendation 8.2:
Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

PRO View:
This structure exists.

Recommendation 8.3:
Companies should provide the information indicated in the Guide to reporting on Principle 8:

PRO View:
No further reporting is considered necessary.

Grant Thornton

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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 2013, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S K Edwards
Partner

Adelaide, 12 September 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2013

	Note	2013 $	2012 $
Revenue	18	**6,888,043**	6,702,793
Employee benefits expense		**(3,842,627)**	(3,856,972)
Depreciation and amortisation expense	19	**(164,845)**	(158,647)
Other expenses	19	**(1,105,530)**	(1,447,606)
Finance costs		**(6,374)**	(10,054)
Profit before income tax		**1,768,668**	1,229,514
Income tax expense	20	**(500,161)**	(427,232)
Profit from continuing operations		**1,268,507**	802,282
Profit for the year	19	**1,268,507**	802,282
Other comprehensive income, net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities		**(62,915)**	(45,887)
Other comprehensive income for the year, net of tax		**(62,915)**	(45,887)
Total comprehensive income for the year		**1,205,592**	756,395
Profit attributable to:			
Members of the parent entity		**1,268,507**	802,282
Total comprehensive income attributable to:			
Members of the parent entity		**1,205,592**	756,395
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)	14	**2.53**	1.61
Diluted earnings per share (cents)	14	**2.53**	1.61

Consolidated Statement of Financial Position
As At 30 June 2013

	Note	2013 $	2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2	**2,693,254**	1,893,832
Trade and other receivables	3	**1,375,934**	1,222,974
Work in progress	4	**11,008**	72,833
Other financial assets	5	**1**	1
Current tax receivable	22	**-**	149,295
Other assets	6	**53,356**	87,310
TOTAL CURRENT ASSETS		**4,133,553**	3,426,245
NON-CURRENT ASSETS			
Trade and other receivables	3	**1,426**	5,827
Property, plant and equipment	7	**70,115**	66,734
Deferred tax assets	22	**686,621**	1,273,972
Intangible assets	8	**3,779,493**	3,914,494
TOTAL NON-CURRENT ASSETS		**4,537,655**	5,261,027
TOTAL ASSETS		**8,671,208**	8,687,272
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	**328,546**	323,504
Current tax liabilities	22	**(1,828)**	1,203
Employee benefits	12	**775,411**	728,452
Other financial liabilities	11	**885,096**	526,390
Other liabilities	10	**-**	50,000
TOTAL CURRENT LIABILITIES		**1,987,225**	1,629,549
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	**54,314**	38,697
Employee benefits	12	**24,513**	13,168
Other liabilities	10	**150,000**	250,000
TOTAL NON-CURRENT LIABILITIES		**228,827**	301,865
TOTAL LIABILITIES		**2,216,052**	1,931,414
NET ASSETS		**6,455,156**	6,755,858
EQUITY			
Issued capital	13	**16,931,464**	16,931,464
Reserves		**(82,060)**	(19,145)
Retained earnings		**(10,394,368)**	(10,156,581)
Total equity attributable to equity holders of the Company		**6,455,036**	6,755,738
Non-controlling interest		**120**	120
TOTAL EQUITY		**6,455,156**	6,755,858

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2013

	Note	Ordinary Shares $	Retained Earnings $	Foreign Currency Translation Reserve $	Option Reserve $	Non-controlling Interests $	Total $
Balance at 1 July 2012		**16,931,464**	**(10,156,581)**	**(143,970)**	**124,825**	**120**	**6,755,858**
Profit attributable to members of the parent entity		**-**	**1,268,507**	**-**	**-**	**-**	**1,268,507**
Total other comprehensive income for the year		**-**	**-**	**(62,915)**	**-**	**-**	**(62,915)**
Transactions with owners in their capacity as owners							
Dividends paid or provided for	23	**-**	**(1,506,294)**	**-**	**-**	**-**	**(1,506,294)**
Balance at 30 June 2013		**16,931,464**	**(10,394,368)**	**(206,885)**	**124,825**	**120**	**6,455,156**
Balance at 1 July 2011		16,481,464	(10,331,240)	(98,083)	124,825	120	6,177,086
Profit attributable to members of the parent entity		-	802,282	-	-	-	802,282
Total other comprehensive income for the year		-	-	(45,887)	-	-	(45,887)
Transactions with owners in their capacity as owners							
Shares issued in consideration of business combinations		450,000	-	-	-	-	450,000
Dividends paid or provided for	23	-	(627,623)	-	-	-	(627,623)
Balance at 30 June 2012		16,931,464	(10,156,581)	(143,970)	124,825	120	6,755,858

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2013

	Note	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**6,529,993**	6,084,719
Payments to suppliers and employees		**(4,396,917)**	(5,091,876)
Interest received		**75,496**	93,782
Interest and other costs of finance paid		**(6,374)**	(10,056)
Income tax (paid)/refunded		**142,219**	(192,633)
Net cash provided by (used in) operating activities	30	**2,344,417**	883,936
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(33,099)**	(8,669)
Payments in respect of business combinations		**-**	(1,962,170)
Net cash used by investing activities		**(33,099)**	(1,970,839)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid by parent entity		**(1,506,294)**	(627,623)
Net cash used by financing activities		**(1,506,294)**	(627,623)
Net increase (decrease) in cash and cash equivalents held		**805,024**	(1,714,526)
Cash and cash equivalents at beginning of year		**1,893,832**	3,569,907
Effect of exchange rates on overseas cash holdings		**(5,602)**	38,451
Cash and cash equivalents at end of financial year	2	**2,693,254**	1,893,832

Notes to the Financial Statements
For the Year Ended 30 June 2013

This financial report includes the consolidated financial statements and notes of Prophecy International Holdings Limited and Controlled Entities and Controlled Entities and its interest in associates and jointly controlled entities (the 'group').

Prophecy International Holdings Limited and Controlled Entities is a for profit Company domiciled in Australia.

The separate financial statements and notes of the parent entity, Prophecy International Holdings Limited and Controlled Entities, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. Parent entity summary is included in note 31.

The financial report was approved and authorised for issue by the board on 12th September 2013.

1 Summary of Significant Accounting Policies

(a) Basis of preparation

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

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

The financial statements are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of consolidation

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

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

Appropriate adjustments have been made to a controlled entity's financial statements where the accounting policies used by that entities were different from those adopted in the consolidated financial statements.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period that they were controlled. A list of controlled entities is contained in Note 28 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests

Non-controlling interests (i.e. equity in a subsidiary not attributable directly or indirectly to a parent) are presented in the consolidated statement of financial position within equity separately from the equity of the owners of the parent.

1 Summary of Significant Accounting Policies continued

(c) Comparative figures

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.

(d) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the assets, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

(e) Property, plant and equipment

Classes of property, plant and equipment are measured at cost.

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

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated on a reducing balance method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

1 Summary of Significant Accounting Policies continued

(e) Property, plant and equipment continued

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

Fixed asset class	Depreciation rate
Plant and Equipment	10% - 40%

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

When an assets is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

(f) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company 's trade and most other receivables fall into this category of financial instruments.

1 Summary of Significant Accounting Policies continued

(f) Financial instruments continued

Discounting is omitted where the effect of discounting is considered immaterial .

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, impairment provisions are recorded in a separate allowance account with the loss being recognised in profit or loss. When confirmation has been received that the amount is not collectable, the gross carrying value of the asset is written off against the associated impairment provision.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future
- designated by the entity to be carried at fair value through profit or loss upon initial recognition or
- which are derivatives not qualifying for hedge accounting.

The Company has some derivatives which are designated as financial assets at fair value through profit or loss.

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Company's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

1 Summary of Significant Accounting Policies continued

(f) Financial instruments continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Company uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Company's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

All of the Company's derivative financial instruments that are not designated as hedging instruments in accordance with the strict conditions explained in AASB 139 are accounted for at fair value through profit or loss.

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred , the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

1 Summary of Significant Accounting Policies continued

(g) Impairment of non-financial assets

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

(h) Intangibles

Goodwill

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

i) the consideration transferred;

ii) any non-controlling interest; and

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

over the acquisition date fair value of net identifiable assets acquired.

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

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

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 seven years.

1 Summary of Significant Accounting Policies continued

(h) Intangibles 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 project.

(i) Employee benefits

Provision is made for the Company'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 settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year 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. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Group revises its estimate of the number of options which are expected to vest based on the non-market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

1 Summary of Significant Accounting Policies continued

(j) Cash and cash equivalents

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

(k) 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.

(l) Earnings per share

The Group presents basic and diluted earnings per share information for its ordinary shares.

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(m) Income tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax 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 tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 consequences relating to a non-monetary asset carried at fair value are determined using the

Notes to the Financial Statements
For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued

(m) Income tax continued

assumption that the carrying amount of the asset will be recovered through sale.

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

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Tax consolidated group

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.

(n) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(o) Borrowing costs

All borrowing costs are recognised as an expense in the period in which it incurs them.

Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued

(p) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

Sales of the consolidated group's products are structured around initial licence fees plus annual licence fees. Initial licence fees together with time and materials consulting services contracts are recognised as income in the year of invoicing. A percentage of annual licence fees is recognised as income in the year of invoicing, the balance covers forward maintenance and support commitments and is brought to account on a pro-rata basis.

For fixed price consulting service contracts, revenue is recognised on a stage of completion basis and measured using the proportion of actual hours spent on a contract compared to the total expected hours to complete the contract.

Work in progress represents consulting services contract revenues which have not been invoiced at the balance date. These revenues are invoiced according to the contract terms, and usually on achievement of significant milestones, as specified in the individual contract.

The recoverable amount of trade receivables is reviewed on an ongoing basis. Where there is reasonable doubt that the full amount of a trade receivable will not be recovered, a provision for impairment is recognised.

Interest revenue

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

(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.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the 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.

1 Summary of Significant Accounting Policies continued

(r) 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.

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting requirements provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, identified as the Board.

Notes to the Financial Statements
For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued

(t) Critical accounting estimates and judgments

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

Key estimates - impairment of tax losses

Deferred tax assets include amounts related to unused tax losses. At each balance date, the directors review the likelihood that the Group be able to generate sufficient future taxable profits to utilise these tax losses, and adjusts deferred tax assets accordingly. Further information regarding the conditions under which these tax losses may be utilised can be found in Note 22.

Key judgments - provision for impairment of receivables

The value of the provision for impairment of receivables is estimated by considering the ageing of receivables, communication with the debtors and prior history.

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 (h).

(u) Adoption of new and revised accounting standards

During the current year, the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the financial statements of Prophecy International Holdings Limited and Controlled Entities.

Standard Name	Impact
AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	The adoption of this standard has not change the reported financial position and performance of the entity, however the presentation of items in other comprehensive income has changed.
AASB 112 Income Taxes	There has been no impact on the reported financial position and performance
AASB 2011-3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments	There has been no impact due the entity not being a government department

Notes to the Financial Statements
For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued

(v) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Group:

Standard Name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB 2010-7 / AASB 2012-6	30 June 2016	Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined as the entire standard has not been released.
AASB 1053 - Application of Tiers of Australian Accounting Standards and amending standards AASB 2010-2, AASB 2011-11, AASB 2012-1, AASB 2012-7 and AASB 2012-11	30 June 2014	This standard allows certain entities to reduce disclosures.	The entity is not adopting the RDR and therefore these standards are not relevant.
AASB 2011-2 Amendments to Australian Accounting Standards arising from Trans-Tasman convergence – Reduced Disclosure Requirements	30 June 2014	Highlights the disclosures not required in AASB 1054 for entities applying the RDR.	The entity is not adopting the RDR and therefore this standard is not relevant.
AASB 10 Consolidated Financial Statements / AASB 11 Joint Arrangements / AASB 12 Disclosures of Interests in Other Entities, AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments	30 June 2014	AASB 10 includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess. AASB 11 focuses on the rights and obligations of a joint venture arrangement, rather than its legal form (as is currently the case). IFRS 11 requires equity accounting for joint ventures, eliminating proportionate consolidation as an accounting choice. AASB 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	The Group will review its controlled entities to determine whether they should be consolidated under AASB 10, no changes are anticipated. All joint ventures of the group are equity accounted and therefore minimal impact is expected due to the adoption of AASB 11. Additional disclosures will be required under AASB 12 but there will be no changes to reported position and performance.

Notes to the Financial Statements
For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued

(v) New accounting standards for application in future periods continued

AASB 13 Fair Value Measurement. AASB 2011-8 - Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	30 June 2014	AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted. There are a number of additional disclosure requirements.	Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required. The entity has not yet determined the magnitude of any changes which may be needed. Some additional disclosures will be needed.
AASB 2011-4 - Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	30 June 2014	Remove individual key management personnel disclosure requirements (i.e. components of remuneration) for disclosing entities.	Since the entity is a disclosing entity, the KMP remuneration note in the financial statements will not include individual components of remuneration.
AASB 2011-6 - Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131]	30 June 2014	This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards - Reduced Disclosure Requirements.	Since the entity does not comply with the Reduced Disclosure Regime there is no impact on the adoption of this standard.
AASB 2011-7 - Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	30 June 2014	This standard provides many consequential changes due to the release of the new consolidation and joint venture standards.	The impact of this standard is expected to be minimal.

Notes to the Financial Statements
For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued

(v) New accounting standards for application in future periods continued

AASB 119 Employee Benefits (September 2011) AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	30 June 2014	The main changes in this standard relate to the accounting for defined benefit plans and are as follows: - elimination of the option to defer the recognition of gains and losses (the 'corridor method'); - requiring remeasurements to be presented in other comprehensive income; and - enhancing the disclosure requirements.	Since the entity does not have a defined benefit plan, the adoption of these standards will not have any impact.
AASB 2010-10 - Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	30 June 2014	Makes amendments to AASB 1	No impact since the entity is not a first-time adopter of IFRS.
AASB 2012-2 - Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7]	30 June 2014	Requires the inclusion of information about the effect or potential effect of netting arrangements.	There is no impact on disclosures as there are no offsetting arrangements currently in place.
AASB 2012-4 - Amendments to Australian Accounting Standards – Government Loans [AASB 1]	30 June 2014	Adds exception to retrospective application of Australian Accounting Standards for first time adopters.	No impact as these are not the first time adoption accounts for the entity.
AASB 2012-5 - Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	30 June 2014	AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments. AASB 116 - clarifies the classification of servicing equipment. AASB 132 and Interpretation 2 - Clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes AASB 134 - provides clarification about segment reporting.	No expected impact on the entities financial position or performance.

1 Summary of Significant Accounting Policies continued

(v) New accounting standards for application in future periods continued

AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20	30 June 2014	Allows transitional provisions for strippings costs in accordance with Interpretation 20.	There will be no impact as entity is not in the mining industry.
AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	30 June 2014	Removes reference to withdrawn Interpretation 1039.	No impact on the financial statements.
AASB 1055 - Budgetary Reporting AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	30 June 2015	This standard specifies the nature of budgetary disclosures and circumstances for inclusion in the financial statements.	No impact as the entity is not a public sector entity.
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	30 June 2015	This standard adds application guidance to AASB 132 to assist with applying some of the offset criteria of the standard.	There will be no impact to the entity as there are no offsetting arrangements currently in place.

Notes to the Financial Statements
For the Year Ended 30 June 2013

		2013	2012
		$	$
2	**Cash and Cash Equivalents**		
	Cash at bank and in hand	**1,924,504**	1,125,032
	Short-term bank deposits	**768,750**	768,800
		2,693,254	1,893,832
3	**Trade and Other Receivables**		
	CURRENT		
	Trade receivables	**1,260,626**	967,356
	Accrued revenue	**98,128**	114,777
	Other receivables	**17,180**	140,841
	Total current trade and other receivables	**1,375,934**	1,222,974
	NON-CURRENT		
	Deposits	**24**	24
	Other receivables	**1,402**	5,803
	Total non-current trade and other receivables	**1,426**	5,827

The following table details the Group's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount	Past due and impaired	< 30	31-60	61-90	> 90	Within initial trade terms
	$	$	$	$	$	$	$
2013							
Trade and other receivables	**1,377,360**	-	**194,903**	**150,600**	**50,952**	**410,701**	**570,204**
2012							
Trade and other receivables	1,228,801	-	216,023	184,074	53,874	93,627	681,203

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.

Notes to the Financial Statements

For the Year Ended 30 June 2013

	2013 $	2012 $
3 Trade and Other Receivables continued		
(a) Financial assets classified as loans and receivables		
Trade and other receivables		
- total current	**1,375,934**	1,222,974
- total non-current	**1,426**	5,827
Financial assets	**1,377,360**	1,228,801
4 Inventories		
CURRENT		
At cost:		
Work in progress	**11,008**	72,833
5 Other Financial Assets		
Financial assets at fair value through profit or loss		
Shares in listed corporations	**1**	1
6 Other Assets		
CURRENT		
Prepayments	**53,356**	87,310
7 Property, Plant and Equipment		
Plant and equipment		
At cost	**561,340**	517,281
Accumulated depreciation	**(502,805)**	(470,127)
Total plant and equipment	**58,535**	47,154
Furniture, fixture and fittings		
At cost	**220,005**	219,218
Accumulated depreciation	**(208,425)**	(199,638)
Total furniture, fixture and fittings	**11,580**	19,580
Total property, plant and equipment	**70,115**	66,734

Notes to the Financial Statements
For the Year Ended 30 June 2013

7 Property, Plant and Equipment continued

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

Consolidated	Plant and Equipment $	Furniture, Fixtures and Fittings $	Total $
Year ended 30 June 2012			
Balance at the beginning of year	51,597	25,529	77,126
Additions	8,042	597	8,639
Additions through acquisition of entity	15,000	-	15,000
Disposals - written down value	(857)	(986)	(1,843)
Depreciation expense	(26,658)	(5,560)	(32,218)
Foreign exchange movements	30	-	30
Balance at the end of the year	47,154	19,580	66,734

Consolidated	Plant and Equipment $	Furniture, Fixtures and Fittings $	Total $
Year ended 30 June 2013			
Balance at the beginning of year	**47,154**	**19,580**	**66,734**
Additions	**33,099**	**-**	**33,099**
Depreciation expense	**(21,844)**	**(8,000)**	**(29,844)**
Foreign exchange movements	**126**	**-**	**126**
Balance at the end of the year	**58,535**	**11,580**	**70,115**

Notes to the Financial Statements
For the Year Ended 30 June 2013

8 Intangible Assets

	2013 $	2012 $
Goodwill		
Cost	**3,146,815**	3,146,815
Patents, trademarks and other rights		
Cost	**1,364,132**	1,364,132
Accumulated amortisation and impairment	**(731,454)**	(596,453)
Net carrying value	**632,678**	767,679
Total Intangibles	**3,779,493**	3,914,494

	Intellectual property - at cost $	Goodwill - at cost $	Total $
Year ended 30 June 2013			
Balance at the beginning of the year	**767,679**	**3,146,815**	**3,914,494**
Amortisation	**(135,001)**	**-**	**(135,001)**
Closing value at 30 June 2013	**632,678**	**3,146,815**	**3,779,493**
Year ended 30 June 2012			
Balance at the beginning of the year	174,108	1,020,000	1,194,108
Additions through business combinations	720,000	2,126,815	2,846,815
Amortisation	(126,429)	-	(126,429)
Closing value at 30 June 2012	767,679	3,146,815	3,914,494

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

Intellectual property with a carrying value of $111,249 (2012: $141,964) relates to copyright in Promadis Ltd's Forensic Science LIMS and Cardiology products. These products have a remaining amortisation period of 3.5 years.

Intellectual property with a carrying value of $521,429 (2012: $625,715) relates to copyright in Intersect Alliance International Pty Ltd's software products. These products have a remaining amortisation period of approximately 5 years.

Goodwill with a carrying value of $1,020,000 (2012: $1,020,000), determined on a value in use basis has been allocated to the Promadis Pty Ltd segment. Value in use has been determined by reference to the net present value of cash flow projections over the next 5 years, discounted at a rate of 15%. It is assumed that revenue growth of 19% and 8% will be achieved in the Promadis business in the 2013/14 and 2014/15 financial years, and modest profit growth rates in the remaining 3 years of the cycle. Management has based these assumptions on the targets set for the Promadis business.

Notes to the Financial Statements
For the Year Ended 30 June 2013

8 Intangible Assets continued

Goodwill with a carrying value of $2,126,815 (2012: $2,126,815), determined on a value in use basis has been allocated to the Intersect Alliance International Pty Ltd segment. Value in use has been determined by reference to the net present value of cash flow projections over the next 5 years, discounted at a rate of 15%. It is assumed that revenue growth of 18% and 20% will be achieved in the business in the 2013/14 and 2014/15 financial years, and modest profit growth rates in the remaining 3 years of the cycle. Management has based these assumptions on the targets set for the business.

9 Trade and Other Payables

	Note	2013 $	2012 $
CURRENT			
Unsecured liabilities			
Trade payables		**110,777**	74,538
Sundry payables and accrued expenses		**215,113**	196,311
Other payables		**2,656**	52,655
		328,546	323,504

	Note	2013 $	2012 $
Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables:			
- total current		**328,546**	323,504
Financial liabilities as trade and other payables	17	**328,546**	323,504

Collateral pledged
No collateral has been pledged for any of the trade and other payable balances.

10 Other Liabilities

	Note	2013 $	2012 $
CURRENT			
Contingent consideration	17, 28	**-**	50,000
NON-CURRENT			
Contingent consideration	17, 28	**150,000**	250,000

11 Income in Advance

	2013 $	2012 $
Other deferred income	**885,096**	526,390

12 Employee Benefits

	2013 $	2012 $
CURRENT		
Long service leave	**502,093**	445,252
Provision for employee benefits	**273,318**	283,200
	775,411	728,452
NON-CURRENT		
Long service leave	**24,513**	13,168

Notes to the Financial Statements
For the Year Ended 30 June 2013

	2013 $	2012 $
13 Issued Capital		
50,209,784 (2012: 50,209,784) Ordinary shares	**16,931,464**	16,931,464

The Group has authorised share capital amounting to 500,000,000 ordinary shares

(a) Ordinary shares

	Note	2013 No.	2012 No.
At the beginning of the reporting period		**50,209,784**	47,209,784
Shares issued during the year			
Issue of shares in respect of acquisitions	28	**-**	3,000,000
At the end of the reporting period		**50,209,784**	50,209,784

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

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

(b) Capital Management

Capital of the group is managed in order to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

The Group's capital comprises of share capital, retained profit and non-controlling interests of the group.

There are no externally imposed capital requirements.

The Group monitors capital through the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is defined as equity per the statement of financial position plus net debt.

Notes to the Financial Statements
For the Year Ended 30 June 2013

14 Earnings per Share

	2013 $	2012 $
(a) Reconciliation of earnings to profit or loss from continuing operations		
Profit from continuing operations	**1,268,507**	802,262
Earnings used to calculate basic EPS from continuing operations	**1,268,507**	802,262
Earnings used in the calculation of dilutive EPS from continuing operations	**1,268,507**	802,262
(b) Earnings used to calculate overall earnings per share		
Earnings used to calculate overall earnings per share	**1,268,507**	802,262

(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2013 No.	2012 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**50,209,784**	49,708,414
Weighted average number of dilutive options outstanding	**-**	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**50,209,784**	49,708,414

The 655,000 share options issued on 29 November 2007 expired on 29 November 2012 and are not included in the calculation of diluted earnings per share as they are antidilutive in the period.

15 Reserves

(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 2013

16 Capital and Leasing Commitments

	2013 $	2012 $
Operating Leases		
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	**174,228**	168,796
- between one year and five years	**141,918**	13,141
	316,146	181,937

Prophecy International Pty Ltd has entered into leases in respect of its Adelaide and Brisbane premises.

The Adelaide lease terminates on 30 June 2015.

The Brisbane premises are subject to a 12 month tenancy, terminating on 23 March 2014.

Prophecy Americas Inc. has entered into a 24 month tenancy, terminating on 31 May 2014.

17 Financial Risk Management

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

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

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

	2013 $	2012 $
Financial Assets		
Cash and cash equivalents	**2,693,254**	1,893,832
Financial assets at fair value through profit or loss		
- listed shares	**1**	1
Loans and receivables	**1,377,360**	1,228,801
Total financial assets	**4,070,615**	3,122,634
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**328,546**	323,504
- Other liabilities	**150,000**	300,000
Total financial liabilities	**478,546**	623,504

17 Financial Risk Management continued

Financial risk management policies

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

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

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

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

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

Mitigation strategies for specific risks faced are described below:

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk 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 no provision for impairment of receivables at 30 June 2013 or at 30 June 2012.

Although trade and other receivables are all unrated, no indicators of impairment have been found at 30 June 2013.

17 Financial Risk Management continued

(a) Credit risk continued

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.

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

	Within 1 year		1 to 5 years		Over 5 years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$	$	$
Financial assets - cash flows realisable								
Cash and cash equivalents	**2,693,254**	1,893,832	**-**	-	**-**	-	**2,693,254**	1,893,832
Trade, term and loans receivables	**1,375,934**	1,222,974	**1,426**	5,827	**-**	-	**1,377,360**	1,228,801
Other investments	**1**	1	**-**	-	**-**	-	**1**	1
Total anticipated outflows	**4,069,189**	3,116,807	**1,426**	5,827	**-**	-	**4,070,615**	3,122,634

Notes to the Financial Statements
For the Year Ended 30 June 2013

17 Financial Risk Management continued

The table/s below reflect an undiscounted contractual maturity analysis for financial liabilities.

Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the consolidated statement of financial position due to the effect of discounting.

Financial liability maturity analysis - Non-derivative

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment								
Trade and other payables (excluding estimated annual leave)	**328,546**	373,504	**150,000**	250,000	**-**	-	**478,546**	623,504

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

(c) Market risk

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

i. Interest rate risk

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

Notes to the Financial Statements

For the Year Ended 30 June 2013

17 Financial Risk Management continued

Financial instrument composition and maturity analysis

The Company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-interest Bearing		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	%	%	$	$	$	$	$	$
Financial Assets:								
Cash and cash equivalents	**3.27**	4.10	**1,924,504**	1,125,032	**-**	-	**1,924,504**	1,125,032
Short term deposits	**4.86**	5.50	**768,750**	768,800	**-**	-	**768,750**	768,800
Receivables	**-**	-	**-**	-	**1,377,360**	1,228,801	**1,377,360**	1,228,801
Financial assets at fair value through profit or loss	**-**	-	**-**	-	**1**	1	**1**	1
Total Financial Assets			**2,693,254**	1,893,832	**1,377,361**	1,228,802	**4,070,615**	3,122,634
Financial Liabilities:								
Trade and sundry payables	**-**	-	**-**	-	**328,546**	323,504	**328,546**	323,504
Other current liabilities	**-**	-	**-**	-	**-**	50,000	**-**	50,000
Other non-current liabilities	**-**	-	**-**	-	**150,000**	250,000	**150,000**	250,000
Total Financial Liabilities			**-**	-	**478,546**	623,504	**478,546**	623,504

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period.

An increase of 100 basis points or a decrease of 50 basis points would have increased equity and profit or loss by the amounts shown below. This analysis assumes that other variables are held constant.

	Profit		Equity	
	100 basis points increase	50 basis points decrease	100 basis points increase	50 basis points decrease
2013	**26,932**	**(13,466)**	**26,932**	**(13,466)**
2012	18,938	(9,469)	18,938	(9,469)

The net exposure at the end of the reporting period is representative of what the Group was and is expecting to be exposed to at the end of the next twelve months.

The sensitivity analysis is performed on the same basis as in 2012.

Notes to the Financial Statements
For the Year Ended 30 June 2013

17 Financial Risk Management continued

ii. Foreign exchange risk

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

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

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**	**Total AUD**
2013	**$**	**$**	**$**	**$**
Consolidated				
Cash and cash equivalents	**49,599**	**-**	**5,957**	**55,556**
Trade and other receivables	**553,235**	**10,980**	**14,736**	**578,951**
	602,834	**10,980**	**20,693**	**634,507**
Trade and other payables	**15,067**	-	**10,211**	**25,278**
2012				
Consolidated				
Cash and cash equivalents	12,150	-	31,783	43,933
Trade and other receivables	481,064	-	153,601	634,665
	493,214	-	185,384	678,598
Trade and other payables	25,506	-	9,190	34,696

Forward exchange contracts

There were no outstanding forward exchange contracts as at 30 June 2013 or 30 June 2012.

Notes to the Financial Statements

For the Year Ended 30 June 2013

17 Financial Risk Management continued

Foreign currency risk sensitivity analysis

At 30 June 2013, the effect on profit and equity as a result of changes in foreign currency, with all other variables remaining constant would be as follows:

	2013 $	2012 $
Change in profit		
- AUD strengthens against USD by 10%	**(23)**	(27,224)
- AUD weakens against USD by 10%	**29**	33,274
- AUD strengthens against GBP by 10%	**(16)**	(789)
- AUD weakens against GBP by 10%	**36**	1,754
Change in equity		
- AUD strengthens against USD by 10%	**(12,060)**	(51,913)
- AUD weakens against USD by 10%	**14,740**	63,450
- AUD strengthens against GBP by 10%	**(54,420)**	(22,601)
- AUD strengthens against GBP by 10%	**66,514**	28,414

Net fair values

Fair value estimation

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

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

	2013		2012	
	Net Carrying Value $	Net Fair value $	Net Carrying Value $	Net Fair value $
Financial assets				
Cash and cash equivalents	**2,693,254**	**2,693,254**	1,893,832	1,893,832
Trade and other receivables	**1,377,360**	**1,377,360**	1,228,801	1,228,801
Financial assets at fair value through profit or loss	**1**	**1**	1	1
Total financial assets	**4,070,615**	**4,070,615**	3,122,634	3,122,634
Financial liabilities				
Trade and other payables	**478,546**	**478,546**	593,793	593,793

Notes to the Financial Statements

For the Year Ended 30 June 2013

17 Financial Risk Management continued

iii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held being available-for-sale or fair value through profit and loss.

Such risk is managed through diversification of investments across industries and geographic locations.

The Group is not exposed to any material commodity price risk.

18 Revenue and Other Income

	2013 $	2012 $
Revenue from continuing operations		
Sales revenue		
- sale of goods	**5,372,107**	5,324,545
- provision of services	**1,290,440**	1,259,335
	6,662,547	6,583,880
Other income		
- other interest received	**75,496**	68,913
- adjustment of earnout balance payable	**150,000**	50,000
Total Revenue	**6,888,043**	6,702,793

(a) Sale of Licences

Revenue generated from the sale of goods represents revenue from the sale of computer software licences. it is not possible to develop a meaningful cost of sales figure attributable to this revenue and accordingly none has been disclosed.

Notes to the Financial Statements
For the Year Ended 30 June 2013

19 Result for the Year

(a) The result for the year includes the following specific expenses

Finance cost includes all interest-related expenses, other than those arising from financial assets at fair value through profit or loss. The following amounts have been included in the finance costs line in the consolidated statement of profit or loss and other comprehensive income for the reporting periods presented:

	2013 $	2012 $
Expenses		
- Salaries and wages	**2,891,246**	3,011,084
- Superannuation contributions	**244,035**	246,437
- Depreciation and amortisation expense comprises:		
- Depreciation - plant and equipment	**29,844**	32,218
- Amortisation - intellectual property	**135,001**	126,429
	164,845	158,647
Other expenses:		
Accounting fees	**126,294**	172,966
Bad debts	**-**	228,858
Consulting and professional fees	**45,777**	68,598
Electricity and water	**45,188**	4,336
Filing fees	**55,998**	48,816
Insurance	**104,083**	104,034
Rent expense	**200,384**	226,176
License fees	**57,259**	43,383
Communications expense	**41,444**	50,253
Travel and accommodation	**214,401**	205,917
Loss on disposal of assets	**-**	1,873
Other expenses	**214,702**	292,396
	1,105,530	1,447,606

(b) Research and Development Expenses

Research and development costs of $889,853 (2012: $942,021) are included in the total expenses for the Group and include salaries and wages and on-costs.

Notes to the Financial Statements
For the Year Ended 30 June 2013

	2013	2012
	$	$

20 Income Tax Expense

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

	2013	2012
Current tax expense		
Current tax recovery	-	(148,710)
Under provision in prior year	-	189,168
Deferred tax expense		
Other deferred tax	**500,161**	386,774
Income tax expense	**500,161**	427,232

(b) Reconciliation of income tax to accounting profit:

	2013	2012
	$	$
Profit	**1,768,668**	1,229,514
Tax	**30%**	30%
	530,600	368,854
Add:		
Tax effect of:		
- non-deductible depreciation and amortisation	**40,500**	39,304
- under/(over) provision for income tax in prior year	**(3,873)**	189,168
- non-deductible expenses	**539**	949
- tax losses not recognised	**110,383**	-
	678,149	598,275
Less:		
Tax effect of:		
- effect of differing rates of tax on overseas income	-	18,950
- previously non-deductible expenses	**28,609**	3,383
Utilisation of tax losses	**149,379**	148,710
Income tax expense attributable to entity	**500,161**	427,232

The decrease in the weighted average effective consolidated tax rate for 2013 is a result of an under provision for income tax in prior year brought in during 2012.

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

	2013	2012
Timing differences on unrealised foreign exchange gains/(losses)	**101,755**	52,568

21 Operating Segments

Identification of reportable segments

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

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

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

Income tax expense

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

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

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries. Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs.

(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 assets and liabilities
- intangible assets

21 Operating Segments continued

(e) Segment performance

	Prophecy International Holdings Ltd		Prophecy International Pty Ltd		Prophecy R&D Pty Ltd		Promadis Pty Ltd		Prophecy Americas Inc		Prophecy Europe Limited		Intersect Alliance International Pty Ltd		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
REVENUE																
External sales	-	-	1,472,047	1,512,770	-	-	1,286,234	1,157,849	1,848,381	1,276,070	162,280	620,310	1,891,508	2,002,309	6,660,450	6,569,308
Inter-segment revenue	-	-	1,623,537	1,488,679	185,300	168,099	-	-	125,027	105,076	11,157	16,623	-	-	1,945,021	1,778,477
Other revenue	150,318	51,338	20,046	54,905	-	-	-	1	-	14,573	-	-	57,229	12,668	227,593	133,485
Total segment revenue	150,318	51,338	3,115,630	3,056,354	185,300	168,099	1,286,234	1,157,850	1,973,408	1,395,719	173,437	636,933	1,948,737	2,014,977	8,833,064	8,481,270
Segment operating profit	92,468	(3,487)	533,863	572,437	185,300	168,099	107,970	(244,031)	(15,055)	(16,704)	(13,343)	(213,787)	877,465	966,987	1,768,668	1,229,514

(f) Segment assets

	Prophecy International Holdings Ltd		Prophecy International Pty Ltd		Prophecy R&D Pty Ltd		Promadis Pty Ltd		Prophecy Americas Inc		Prophecy Europe Limited		Intersect Alliance International Pty Ltd		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment assets	11,646,010	7,854,234	14,159,036	13,207,519	503,284	222,589	690,175	424,156	754,890	701,606	545,030	971,040	2,674,180	1,341,783	30,972,605	24,722,927
- Capital expenditure	-	-	14,168	4,292	-	-	1,178	2,192	-	1,587	-	-	17,753	568	33,099	8,639
- Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	735,000	-	735,000
	-	-	14,168	4,292	-	-	1,178	2,192	-	1,587	-	-	17,753	735,568	33,099	743,639

(g) Segment liabilities

	Prophecy International Holdings Ltd		Prophecy International Pty Ltd		Prophecy R&D Pty Ltd		Promadis Pty Ltd		Prophecy Americas Inc		Prophecy Europe Limited		Intersect Alliance International Pty Ltd		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment liabilities	5,063,316	3,590,692	16,811,427	16,750,295	3,673,188	3,577,793	852,065	658,446	4,779,825	4,511,720	21,727	474,385	1,147,412	3,426,355	32,348,960	32,989,686

Notes to the Financial Statements

For the Year Ended 30 June 2013

21 Operating Segments continued

(h) Reconciliations

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

	2013 $	2012 $
Total segment revenue	**8,833,064**	8,481,270
Intersegment eliminations	**(1,945,021)**	(1,778,477)
Total revenue	**6,888,043**	6,702,793

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.

	2013 $	2012 $
Segment net operating profit	**1,768,668**	1,229,514
Income tax expense	**(500,161)**	(427,232)
Total net profit after tax	**1,268,507**	802,282

Reconciliation of segment assets to the consolidated statement of financial position

	2013 $	2012 $
Segment operating assets	**30,972,605**	24,722,927
Intersegment eliminations	**(26,767,511)**	(21,373,416)
Current tax assets	**-**	149,295
Deferred tax assets	**686,621**	1,273,972
Intangible assets	**3,779,493**	3,914,494
Total assets per the consolidated statement of financial position	**8,671,208**	8,687,272

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

	2013 $	2012 $
Segment liabilities	**32,348,960**	32,989,686
Intersegment eliminations	**(30,185,394)**	(31,098,172)
Current tax liabilities	**(1,828)**	1,203
Deferred tax liabilities	**54,314**	38,697
Total liabilities per the consolidated statement of financial position	**2,216,052**	1,931,414

21 Operating Segments continued

(i) Geographical information

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

	2013 $		2012 $	
	Revenue	Assets	Revenue	Assets
Australia	**3,719,303**	**7,288,282**	3,980,809	6,795,986
United States	**2,509,193**	**754,867**	1,881,678	850,901
Africa	**4,780**	**-**	275,386	-
Europe	**560,545**	**628,059**	361,548	1,050,382
Asia	**94,222**	**-**	203,372	-
	6,888,043	**8,671,208**	6,702,793	8,697,269

(j) Major customers

Revenues of approximately $ 1,836,466 (2012: $ 1,139,475) are derived from 4 (2012: 2) customers in Australia.

Revenues of approximately $1,901,577 (2012: $1,005,419) are derived from 4 (2012: 3) customers in the United States of America.

22 Tax

	2013 $	2012 $
Current Tax Asset		
Refundable tax payments	**-**	149,295
Current Tax Liability		
Income tax payable	**(1,828)**	1,203

22 Tax continued

	Opening Balance	Charged to Income	Charged directly to Equity	Closing Balance
	$	$	$	$
Deferred tax assets				
Property, plant and equipment				
- other PPE UD2	4,832	(779)	-	4,053
Provisions - employee benefits	191,583	24,582	-	216,165
Unrealised foreign exchange	382,661	(79,641)	(52,569)	250,451
Accruals	95,036	9,717	-	104,753
Deferred tax assets attributable to tax losses	1,005,356	(306,806)	-	698,550
Balance at 30 June 2012	1,679,468	(352,927)	(52,569)	1,273,972
Property, plant and equipment				
- other PPE UD2	**4,053**	**(2,377)**	**-**	**1,676**
Provisions - employee benefits	**216,165**	**17,502**	-	**233,667**
Unrealised foreign exchange	**250,451**	**(5,944)**	**(101,755)**	**142,752**
Accruals	**104,753**	**2,274**	-	**107,027**
Deferred tax assets attributable to tax losses	**698,550**	**(497,051)**	-	**201,499**
Balance at 30 June 2013	**1,273,972**	**(485,596)**	**(101,755)**	**686,621**
Deferred tax liability				
Work in progress	4,121	(1,547)	-	2,574
Prepayments	665	1,116	-	1,781
Other current assets	64	(29)	-	35
Unrealised foreign currency gains	-	34,307	-	34,307
Balance at 30 June 2012	4,850	33,847	-	38,697
Work in progress	**2,574**	**19,209**	-	**21,783**
Prepayments	**1,781**	**(903)**	-	**878**
Other current assets	**35**	**17,369**	-	**17,404**
Unrealised foreign currency gains	**34,307**	**(20,058)**	-	**14,249**
Balance at 30 June 2013	**38,697**	**15,617**	-	**54,314**

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(m) occur:

	2013	2012
	$	$
- tax losses:		
- operating losses	**3,681,396**	3,830,775

Notes to the Financial Statements
For the Year Ended 30 June 2013

23 Dividends

	2013 $	2012 $
a. The following dividends were declared and paid:		
Interim unfranked ordinary dividend of 2.0 (2012: 1.25) cents per share paid on 2 April 2013	**1,004,196**	627,623
2012 Final unfranked ordinary dividend of 1.0 (2011: Nil) cents per share paid 5 October 2012	**502,098**	-
Total	**1,506,294**	627,623
Total cents dividends per share declared and paid	**3.00**	1.25

	2013 $	2012 $
b. Proposed final 2013 unfranked ordinary dividend of 1.5 (2012: 1.0) cents per share to be paid 2 October 2013	**753,147**	502,098

The proposed final dividend for 2013 was declared after the end of the reporting period and therefore has not been provided for in the financial statements. There are no income tax consequences arising from this dividend at 30 June 2013.

	2013 $	2012 $
Franking account		
The franking credits available for subsequent financial years at a tax rate of 30%	**-**	-

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

(a) Franking credits that will arise from the payment of the current tax liabilities;

(b) Franking debits that will arise from the payment of dividends recognised as a liability at the year end;

(c) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The impact on the franking credit of the dividends proposed after the end of the reporting period is to reduce it by $ Nil (2012: $ Nil).

Notes to the Financial Statements

For the Year Ended 30 June 2013

24 Interests of Key Management Personnel

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

	2013	2012
	$	$
Short-term employee benefits	811,561	738,273
Post-employment benefits	78,336	72,217
	889,897	810,490

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 30 June 2013.

Key management personnel options and rights holdings

Details of options provided as remuneration and shares issued on the exercise of such options together with terms and conditions of the options can be found in the Remuneration Report within the Director's Report.

The options held by P Barzen were issued pursuant to the Prophecy International Holdings Ltd Employee Share Option Plan. These options expired on the 29 November 2012.

30 June 2013	Balance at beginning of year	Granted as remuneration	Exercised	Other changes	Balance at the end of year	Vested during the year	Vested and exercisable
Other KMP							
Peter Barzen	**80,000**	-	-	**(80,000)**	-	-	-

30 June 2012	Balance at beginning of year	Granted as remuneration	Exercised	Other changes	Balance at the end of year	Vested during the year	Vested and exercisable
Other KMP							
Peter Barzen	80,000	-	-	-	80,000	-	80,000

Notes to the Financial Statements
For the Year Ended 30 June 2013

24 Interests of Key Management Personnel continued

Key management personnel shareholdings

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

	Balance at beginning of year	On exercise of options	Acquisitions	Disposals	Balance at end of year
30 June 2013					
Ed Reynolds	**8,000,000**	-	-	-	**8,000,000**
Anthony P (Tony) Weber	**605,000**	-	-	-	**605,000**
Leanne Challans	**774,880**	-	-	-	**774,880**
Other KMP					
Darren Shaw	**289,000**	-	-	-	**289,000**
Peter Barzen	**466,203**	-	-	-	**466,203**
	10,135,083	-	-	-	**10,135,083**
30 June 2012					
Ed Reynolds	7,839,416	-	160,584	-	8,000,000
Anthony P (Tony) Weber	605,000	-	-	-	605,000
Leanne Challans	774,880	-	-	-	774,880
Other KMP					
Darren Shaw	240,000	-	49,000	-	289,000
Peter Barzen	466,203	-	-	-	466,203
	9,925,499	-	209,584	-	10,135,083

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 29: Related Party Transactions.

Notes to the Financial Statements
For the Year Ended 30 June 2013

25 Auditors' Remuneration

	2013 $	2012 $
Remuneration of the auditor of the parent entity, for:		
- auditing or reviewing the financial statements	**61,700**	60,500
- taxation services	**33,664**	40,500
- due diligence services	**-**	9,400
	95,364	110,400
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial statements of subsidiaries	**9,171**	8,986
- taxation services	**-**	6,352
- payroll services	**-**	1,202
- other services	**-**	13,026
	9,171	29,566

26 Contingent Liabilities and Contingent Assets

Contingent Liabilities

Prophecy International Pty Ltd, a controlled entity, has provided guarantees to third parties in respect of property lease rentals. The maximum amounts payable are $68,750 (2012: $68,750).

Details of leases can be found in Note 16. The guarantee is secured by a fixed charge over Prophecy International Pty Ltd's bank balances.

No material losses are anticipated in respect to any of these contingencies.

27 Events after the end of the Reporting Period

On August 8th the group announced that is has entered into an agreement for the placement of 5.2 million new fully paid ordinary shares at an issue price of 39 cents each to raise $2,028,000. The placement will be made to Microequities Asset Management Pty Ltd and will assist Prophecy building its cash position, ready for its next acquisition. It is expected that the shares will be issued on the 18th September 2013 after the Dividend record date.

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

28 Controlled Entities

(a) Controlled entities

	Country of Incorporation	Percentage Owned (%)* 2013	Percentage Owned (%)* 2012
Parent Entity:			
Prophecy International Holdings Limited	Australia	**100**	100
Subsidiaries:			
Promadis Pty Ltd	Australia	**100**	100
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	**93.1**	93.1
Prophecy Europe Limited	United Kingdom	**100**	100

* Percentage of voting power is in proportion to ownership

(b) Acquisition of controlled entities

On 12 August 2011, the parent Company purchased the trade and assets of Intersect Alliance, an Australian software company and resulted in Prophecy International Holdings Limited and Controlled Entities obtaining control of Intersect Alliance. The business is being run through Intersect Alliance International Pty Ltd, a subsidiary of Prophecy International Holdings Ltd.

The fair value of consideration transferred at acquisition date is:

	Fair value $
Purchase consideration:	
- Cash	**2,062,170**
- Contingent consideration	**250,000**
- 3,000,000 Prophecy International Holdings Ltd Ordinary shares	**450,000**
Total purchase consideration	**2,762,170**
Assets or liabilities acquired:	
Plant and equipment	**15,000**
Intangible assets	**720,000**
Other liabilities	**(99,645)**
Total net identifiable assets	**635,355**
Identifiable assets acquired and liabilities assumed	**635,355**
Goodwill consideration	**2,762,170**
Less: Identifiable assets acquired	**635,355**
Goodwill	**2,126,815**

Revenue of Intersect Alliance included in the consolidated revenue of the Group since the acquisition date on 12 August 2011 amounted to $ 2,014,977 with a profit of $ 966,987.

28 Controlled Entities continued

(b) Acquisition of controlled entities continued

Had the results of Intersect Alliance been consolidated from 1 July 2011, revenue of the the Group would have been $ 6,852,793 and consolidated profit would have been $ 1,345,514 for the year ended 30 June 2012. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2011.

Cash consideration includes a $100,000 deposit paid in the June 2011 year.

Contingent consideration

The contingent consideration consists of an earn out agreement which provides that further consideration will be payable if certain earnings before interest and tax targets are achieved by Intersect Alliance International Pty Ltd for the years ending 31 July 2012, 31 July 2013 and 31 July 2014. The amount payable is 35% of the earnings before interest and tax that exceeds $1.1m in the relevant earn out year. The fair value of the contingent consideration recognised is the expected amount to be paid under the agreement, although the actual amount payable is uncapped. The targets for 2012 and 2013 were not met. It is assumed that the target for the 2014 year will be exceeded by $428,000.

The goodwill is attributable to synergies expected to be achieved from integrating the Company into the Group's existing businesses. None of the goodwill recognised expected to be deductible for income tax purposes.

Acquisition costs representing professional fees and share issue fees of $56,142 have been recognised within "other expenses".

29 Related Party Transactions

Related Parties

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

(i) Key management personnel:

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

For details of remuneration disclosures relating to key management personnel, refer to Note 24: Interests of Key Management Personnel (KMP) and the remuneration report in the Directors' Report.

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

(ii) Subsidiaries:

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

Name of subsidiary	% ownership interest 2013	% ownership interest 2012
Promadis Pty Ltd	**100.0**	100.0
Intersect Alliance International Pty Ltd	**100.0**	100.0
Prophecy International Pty Ltd as trustee for CSP Unit Trust	**100.0**	100.0
Prophecy R&D Pty Ltd	**100.0**	100.0
Prophecy Americas' Inc	**93.1**	93.1
Prophecy Europe Limited	**100.0**	100.0

(b) Transactions with related parties

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

The following transactions occurred with related parties:

Related parties		
Hayes Knight (SA) Pty Ltd, a company directed by Grant Miles, the Company Secretary, provided Company Secretarial and accounting services to the Group	**26,200**	33,000

Notes to the Financial Statements

For the Year Ended 30 June 2013

30 Cash Flow Information

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

	2013 $	2012 $
Profit for the year	**1,268,507**	802,283
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	**164,846**	158,647
- net gain on disposal of property, plant and equipment	**-**	1,873
- foreign exchange (gain)/loss	**126,379**	(38,451)
- foreign exchange differences arising on translation of foreign subsidiaries recognised in reserves net of tax effect	**(62,913)**	(45,887)
Changes in operating assets and liabilities:		
- (increase)/decrease in trade and other receivables	**(148,560)**	(355,899)
- (increase)/decrease in inventories	**61,825**	(59,098)
- (increase)/decrease in deferred tax receivable	**466,446**	405,496
- (increase)/decrease in other assets	**33,954**	20,999
- increase/(decrease) in income in advance	**358,706**	58,188
- increase/(decrease) in trade and other payables	**(144,958)**	(37,611)
- increase/(decrease) in income taxes payable	**146,264**	(152,176)
- increase/(decrease) in deferred taxes payable	**15,617**	33,847
- increase/(decrease) in employee benefits	**58,304**	91,726
Cashflow from operations	**2,344,417**	883,937

(b) Non-cash financing and investing activities

During the 2012 financial year, 3,000,000 ordinary shares were issued as $0.15 as part of the consideration for the purchase of the assets of Intersect Alliance Pty Ltd. Further details of the acquisition can be found in Note 28.

(c) Credit standby arrangements with banks

	2013 $	2012 $
Credit facility	**20,000**	15,000
Amount utilised	**(370)**	(2,160)
	19,630	12,840

The major facilities are summarised as follows:

Credit Cards:
Prophecy International Pty Ltd, Intersect Alliance International Pty Ltd and Promadis Pty Ltd, controlled entities, have credit card facilities.

Notes to the Financial Statements
For the Year Ended 30 June 2013

31 Parent entity

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

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

Investments in subsidiaries, associates and joint ventures

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

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.

	2013	2012
	$	$
Consolidated Statement of Financial Position		
Assets		
Current assets	**4,841,356**	4,503,384
Non-current assets	**6,865,951**	5,717,106
Total Assets	**11,707,307**	10,220,490
Liabilities		
Current liabilities	**6,420,959**	4,018,315
Non-current liabilities	**3,150**	35
Total Liabilities	**6,424,109**	4,018,350
Equity		
Share capital	**16,931,464**	16,931,464
Retained Earning/profit	**(11,773,091)**	(10,854,149)
Share option reserve	**124,825**	124,825
Total Equity	**5,283,198**	6,202,140
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Profit for the year	**(40,271)**	(37,442)
Total comprehensive income	**(40,271)**	(37,442)

Notes to the Financial Statements

For the Year Ended 30 June 2013

31 Parent entity continued

Guarantees

The parent entity has not entered into any guarantees at 30 June 2013 or 30 June 2012.

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

Contractual commitments

The parent entity did not have any commitments as at 30 June 2013 or 30 June 2012.

Directors' Declaration

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2013 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the consolidated group;

2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:

    a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    b. the financial statements and notes for the financial year comply with the Accounting Standards; and

    c. the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Ed Reynolds
Chairman

Leanne Challans
Director

Dated this 12th day of September, 2013

Grant Thornton

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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

Report on the financial report

We have audited the accompanying financial report of Prophecy International Holdings Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

Grant Thornton

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

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

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

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

Auditor's opinion
In our opinion:

a the financial report of Prophecy International Holdings Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report
We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Prophecy International Holdings Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S K Edwards
Partner

Adelaide, 12 September 2013

Additional Information for Listed Public Companies
30 June 2013

ASX Additional Information
Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 12th September 2013.

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

Voting rights

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

Options
No voting rights.

Distribution of equity security holders

		Ordinary shares	
Holding		**Shares**	**Options**
1 - 1,000		189	0
1,001 - 5,000		316	0
5,001 - 10,000		187	0
10,001 - 100,000		299	0
100,000 and over		63	0
	Total	**1054**	0

There were 113 holders of less than a marketable parcel of ordinary shares.

Additional Information for Listed Public Companies
30 June 2013

Rank	Twenty Largest Shareholders	Numbers Held	% of Ordinary
1.	REYER INVESTMENTS PTY LTD (SUPER FUND A/C)	8,000,000	15.93%
2.	DUNMOORE PTY LTD	6,854,052	13.65%
3.	MARIA O'CONNOR + ASSOCIATES PTY LTD	2,229,784	4.44%
4.	SMOOTHWARE PTY LTD	1,453,230	2.89%
5.	MR TERRENCE P LEWIS	1,440,825	2.87%
6.	SILVERNINE PTY LTD	1,379,469	2.75%
7.	MICROEQUITIES ASSET MANAGEMENT PTY LTD (MICROEQUITIES NANOCAP 5 A/C)	1,315,098	2.62%
8.	EQUITAS NOMINEES PTY LTD	1,254,709	2.50%
9.	HOLDEN HOLDEN + ASSOCIATES PTY LTD	1,021,875	2.04%
10.	FIVE TALENTS LIMITED – NEW ZEALAND	853,447	1.70%
11.	CHRISTINE HOLDEN SUPER FUND	800,000	1.59%
12.	MRS LEANNE R CHALLANS + MR STEVEN W CHALLANS	774,880	1.54%
13.	ANDAMAX INVESTMENTS PTY LTD C/- TAYLOR COLLISON LTD C/- C P BALL	650,000	1.29%
14.	CUSTODIAL SERVICES LIMITED (BENEFICIARIES HOLDING A/C)	627,575	1.25%
15.	MR ANTHONY P WEBER + MRS PAULETTE A WEBER (THE APPA WEB S/FUND)	605,000	1.20%
16.	PINEHURST NOMINEES PTY LTD	592,201	1.18%
17.	MR ALLEN J TAPP + MS MARIS POLYMENEAS (SUPER ACOUNT)	550,000	1.10%
18.	MRS GLENIS NITA O'DONNELL	505,949	1.01%
19.	MR PETER J TATHEM + MRS THERESA A TATHEM (TABRIGG SUPER FUND A/C)	415,000	0.83%
20.	MR GRAHAM P JOLLIFFE + MRS MARY JOLLIFFE (THE JOLLIFFE SUPER FUND A/C)	400,000	0.80%

Additional Information for Listed Public Companies
30 June 2013

Substantial Shareholders

Substantial shareholders in the company are set out below:

Name	Ordinary Shares	% held
REYER INVESTMENTS PTY LTD (SUPER FUND A/C)	8,000,000	15.93%
DUNMOORE PTY LTD	6,854,052	13.65%
MARIA O'CONNOR + ASSOCIATES PTY LTD	2,229,784	4.44%

Other Information

Enquiries from shareholders should be addressed to Prophecy International Holdings Limited on (08) 8211 6188 or the Company's Share Registry, Computershare Investor Services on 1300 556 161 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.