



Prophecy

PROPHECY INTERNATIONAL HOLDINGS LTD

ACN 079 971 618

Appendix 4D - Half Year Report

For the Period Ended 31 December 2008

**PROPHECY INTERNATIONAL HOLDINGS LTD
RESULTS FOR ANNOUNCEMENT TO THE MARKET**

For the Period Ended 31 December 2008

This report should be read in conjunction with the 30 June 2008 Annual Financial Report of the consolidated entity.

1 Summary of results	% change	Direction	\$
Revenue from ordinary activities	4%	up to	2,768,770
Profit from ordinary activities after tax attributable to members	32%	up to	1,333,348
Profit from ordinary activities attributable to members	32%	up to	1,333,348

The directors' have declared an interim unfranked dividend of 2 cents per share with a record date of 2nd March 2009 and payment date of 18th March 2009.

2 Explanatory information

For the six months to 31 December 2008, Prophecy has posted a profit of \$1.333 million after tax. This compares with a profit of \$1.007 million after tax for the same period last year. The Board is very pleased with this half year result which exceeded expectation in a year which saw world markets slow.

Revenues for the six months to 31 December 2008 were \$2.769 million – up 4% from the same period last year which recorded revenues of \$2.653 million.

Operating expenses include a net gain from Foreign Currency movements of \$0.433 million arising from volatility in the international currency markets. The Board is working to minimize profit impact from currency movements during the balance of the financial year.

The half year closed with a cash balance of \$5.400 million which was \$0.661 million higher than the cash balance at the same period last year.

The continued profit showing and healthy cash position has allowed the Directors to declare an interim unfranked dividend of 2c per share for the half.

PROPHECY INTERNATIONAL HOLDINGS LTD
Other Information

For the Period Ended 31 December 2008

3 Net Tangible Assets per Security

	2008	2007
	\$	\$
Net Tangible Assets	5,674,743	5,333,161
Number of Securities	45,656,955	45,101,955
NTA	0.124	0.118

4 Changes in Controlled Entities

None

Financial statements for the period ended 31 December 2008 are attached.



PROPHECY INTERNATIONAL HOLDINGS LTD

ACN 079 971 618

REPORT FOR THE HALF YEAR ENDED 31 DECEMBER, 2008

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PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

REVIEW OF OPERATIONS AND RESULTS OF OPERATIONS

FINANCIALS

For the six months to 31st December 2008, Prophecy has posted a profit of \$1.333 million after tax. This compares with a profit of \$1.007 million after tax for the same period last year. The board is very pleased with this half year result which exceeded expectation in a year which saw world markets slow.

Revenues for the six months to 31st December 2008 were \$2.769 million – up 4% from the same period last year which recorded revenues of \$2.653 million. This was a very pleasing result.

Operating expenses include a net gain from Foreign Currency movements of \$0.433 million during the period, arising from volatility in the international currency markets. The Board is working to minimize profit impact from currency movements during the balance of the financial year.

The half year closed with a cash balance of \$5.400 million which was \$0.661 million higher than the cash balance at the same period last year.

The continued profit showing and healthy cash position has allowed the Directors to declare an interim unfranked dividend of 2c per share for the half.

SALES AND MARKETING

In the latest half year Prophecy has been able to increase revenues in its legacy software business with continued licence extensions. This part of our business continues to contribute strong revenues and healthy profits, assisting in the overall results.

Our basis2 sales activity has strengthened on a worldwide basis, with a solid sales pipeline being serviced. Our more recent sales activity has once again been successful, and after final approvals have been given, the Directors expect to be able to shortly announce another significant basis2 sale.

The outlook for the rest of this financial year remains positive from a sales perspective. As a result, the Directors believe that we will once again be able to exceed our revenue and profit targets set at the beginning of the year. A potentially rewarding partnership is developing in North America, and this is expected to create additional sales opportunities in this calendar year.

RESEARCH AND DEVELOPMENT

R and D expenditure went mainly to basis2 development in the period. All development is fully expensed in Prophecy's accounts. The basis2 application is a highly flexible product developed in Oracle and able to be readily integrated with the Oracle e-business suite. Its features enable it to score highly in competitive situations and that investment in product development enables Prophecy to achieve its sales success.

SUPPORT OF CUSTOMERS

North American project activities have kept the Prophecy team busy in the last 6 months with the start of the new implementation in Texas. Combined with additional project work on the East coast, our team has accumulated many frequent flier points in the last 6 months. Training was conducted for one of our partners in the Middle East so that they are now more self sufficient and their efforts are expected to be rewarded with an upcoming sales success.

OUTLOOK

It is forecast that revenue will continue to be strong in the second half, resulting in an expected increased profit for the full year to exceed original budgets, provided that the forecast sales are closed in the period. The full year profit is again expected to exceed last year's result on increased annual revenue. If that is achieved, then the Directors expect to be able to continue full year dividend payments as in previous years. High quality sales campaigns, with the combined strength and local knowledge of our strategic partners, is expected to produce success in the second half and leave a solid sales pipeline going into the 09/10 financial year.

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Your directors submit the financial report of Prophecy International Holdings Ltd and controlled entities, for the half-year ended 31 December 2008.

Directors

The name of each person who has been a director of the company at any time during or since the end of the half year:

Edwin Reynolds
Anthony P Weber
Leanne Challans

Results from Operations

The consolidated profit of the consolidated entity for the half year to 31 December 2008, after providing for income tax was \$1,333,348.

Review of operations

A review of operations is shown on pages 1 to 2 of this report.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Grant Thornton South Australian Partnership, to provide the directors or Prophecy International Holdings Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is made on the following page and forms part of this Directors' Report.

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

On behalf of the Board of Directors.



.....
Ed Reynolds



.....
Anthony P Weber

Signed at **Adelaide** this 19 day of **February 2009**.



**Grant Thornton South Australian
Partnership**
ABN 27 244 906 724

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
DX 275 Adelaide

T 61 8 8372 6666
F 61 8 8372 6677
E info@gtsa.com.au
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 review of Prophecy International Holdings Pty Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Wayville on this 19th day of February 2009

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

**CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Consolidated Entity	
	31 December 2008	31 December 2007
	\$	\$
Revenues from ordinary activities	2,768,770	2,652,815
Employee benefits expense	(1,200,138)	(1,213,868)
Depreciation and amortisation expense	(52,299)	(65,313)
Other expenses from ordinary activities	<u>(182,985)</u>	<u>(366,137)</u>
Profit from ordinary activities before income tax expense	1,333,348	1,007,497
Income tax expense relating to ordinary activities	<u>-</u>	<u>-</u>
Profit from ordinary activities after related income tax expense	<u>1,333,348</u>	<u>1,007,497</u>
Profit attributable to minority equity interest	<u>-</u>	<u>-</u>
Profit attributable to members of the parent entity	<u>1,333,348</u>	<u>1,007,497</u>
	Cents	Cents
Basic earnings per share	2.95	2.25
Diluted earnings per share	2.95	2.25

The accompanying notes form part of these financial statements

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Consolidated Entity	
	31 December 2008	30 June 2008
	\$	\$
CURRENT ASSETS		
Cash assets	5,400,369	5,295,343
Trade and other receivables	1,416,037	1,378,292
Work in progress	81,200	10,549
Current tax assets	3,394	2,556
Financial Assets	1,878	1
Other current assets	50,039	45,008
TOTAL CURRENT ASSETS	6,952,917	6,731,749
NON-CURRENT ASSETS		
Trade and other receivables	24	16,697
Property, plant and equipment	122,623	108,885
Intangible assets	69,834	99,774
TOTAL NON-CURRENT ASSETS	192,481	225,356
TOTAL ASSETS	7,145,398	6,957,105
CURRENT LIABILITIES		
Trade and other payables	255,858	371,196
Current tax liabilities	3,408	51,219
Provisions	458,987	479,526
Other current liabilities	652,697	430,879
TOTAL CURRENT LIABILITIES	1,370,950	1,332,820
NON-CURRENT LIABILITIES		
Provisions	29,871	26,537
TOTAL NON-CURRENT LIABILITIES	29,871	26,537
TOTAL LIABILITIES	1,400,821	1,359,357
NET ASSETS	5,744,577	5,597,748
EQUITY		
Issued capital	15,595,250	15,427,850
Reserves	(475,821)	(24,244)
Retained earnings	(9,374,972)	(9,805,978)
Minority equity interest	120	120
TOTAL EQUITY	5,744,577	5,597,748

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Consolidated Entity				
	Issued Capital \$	Retained Earnings \$	Minority Interests \$	Foreign Translation Reserve \$	Share Option Reserve \$
Balance at 1 July 2007	15,266,300	(10,193,620)	120	(172,100)	19,324
Profit attributable to members of parent entity	-	1,007,497	-	-	-
Adjustments from translation of foreign controlled entities	-	-	-	10,943	-
Issue of ordinary shares	159,525	-	-	-	-
Dividends paid	-	(669,780)	-	-	-
Recognition of vested share options	-	-	-	-	34,666
Balance at 31 December 2007	<u>15,425,825</u>	<u>(9,855,903)</u>	<u>120</u>	<u>(161,157)</u>	<u>53,990</u>
Balance at 1 July 2008	15,427,850	(9,805,978)	120	(275,395)	251,151
Profit attributable to members of parent entity	-	1,333,348	-	-	-
Adjustments from translation of foreign controlled entities	-	-	-	(325,251)	-
Issue of ordinary shares	167,400	-	-	-	(167,400)
Dividends paid	-	(902,342)	-	-	-
Recognition of vested share options	-	-	-	-	41,074
Balance at 31 December 2008	<u>15,595,250</u>	<u>(9,374,972)</u>	<u>120</u>	<u>(600,646)</u>	<u>124,825</u>

The accompanying notes form part of these financial statements

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Consolidated Entity	
	31 December 2008	31 December 2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,112,594	2,106,322
Interest received	180,536	133,526
Payments to suppliers and employees	(2,269,080)	(1,854,443)
Income tax paid	(53,299)	-
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	970,751	385,405
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property plant & equipment	(36,085)	(27,446)
	<hr/>	<hr/>
NET CASH PROVIDED USED IN INVESTING ACTIVITIES	(36,085)	(27,446)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(902,339)	(669,780)
Proceeds from share issues	-	2,025
	<hr/>	<hr/>
NET CASH PROVIDED USED IN FINANCING ACTIVITIES	(902,339)	(667,755)
	<hr/>	<hr/>
Net increase/(decrease) in cash held	32,327	(309,796)
Cash at 1 July	5,295,343	5,038,836
Effects of foreign exchange rate changes	72,699	10,419
Cash at 31 December	5,400,369	4,739,459
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The accompanying notes form part of these financial statements

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF - YEAR ENDED 31 DECEMBER 2008

NOTE 1 – REPORTING ENTITY

Prophecy International Holdings Limited ("the company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008 is available on request from the Company's registered office at Level 2, 124 Waymouth Street, Adelaide 5000, South Australia or at www.prophecyinternational.com.

NOTE 2 – STATEMENT OF COMPLIANCE

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The interim financial report does not include any of the information required for a full annual financial report and should be read in conjunction with the annual financial report of the consolidated entity for the year ended 30 June 2008.

This interim financial report was approved by the directors on the 19 February 2009.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the consolidated entity in this interim financial report are the same as those applied by the consolidated entity in its financial report as at and for the year ended 30 June 2008.

NOTE 4 – PROFIT FOR THE PERIOD

The following expense item is relevant in explaining the financial performance for the interim period:

Other Expenses from Ordinary Activities Include:

	31 Dec 2008	31 Dec 2007
	\$	\$
Net Foreign Exchange	(434,107)	15,525

NOTE 5 – DIVIDENDS

An interim fully franked dividend of 2 cents per share was paid in March 2008 (2 cents previous period) and a final partially franked dividend of 2 cents per share was paid in October 2008 (1.5 cents previous period).

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

NOTE 6 - SEGMENT INFORMATION

2008

Geographic segments	Australia \$	Europe \$	America \$	South East Asia \$	Intersegment Eliminations \$	Consolidated \$
Sales to customers outside consolidated entity	1,144,225	232,737	1,099,271	114,932	-	2,591,165
Intersegment sales	771,437	-	159,715	-	(931,152)	-
Other revenue	160,759	16,846	-	-	-	177,605
Depreciation and amortisation	51,333	-	966	-	-	52,299
Segment result	1,385,398	(114,805)	68,709	(5,954)	-	1,333,348
Segment assets	5,773,066	213,847	1,152,039	6,446	-	7,145,398
Additions to Fixed Assets	36,085	-	-	-	-	36,085
Segment Liabilities	681,634	31,075	688,112	-	-	1,400,821

2007

Geographic segments	Australia \$	Europe \$	America \$	South East Asia \$	Intersegment Eliminations \$	Consolidated \$
Sales to customers outside consolidated entity	1,063,657	259,393	1,128,244	57,696	-	2,508,990
Intersegment sales	1,024,241	-	65,997	-	(1,090,238)	-
Other revenue	136,140	7,685	-	-	-	143,825
Depreciation and amortisation	64,131	-	1,182	-	-	65,313
Segment result	884,922	21,329	104,673	(3,427)	-	1,007,497
Segment assets	5,399,423	154,430	688,027	48,232	-	6,290,112
Additions to Fixed Assets	27,446	-	-	-	-	27,446
Segment Liabilities	694,567	60,159	70,726	1,785	-	827,237

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL REPORT FOR THE HALF - YEAR ENDED 31 DECEMBER 2008

NOTE 7 – SHARE BASED PAYMENTS

During the six months ended 31 December 2008 the company issued the following share based payments:

At the 2008 Extraordinary General Meeting held on the 16 December 2008 the shareholders approved the issue of the following shares to the directors of the company. The terms and conditions of these shares are as follows:

Shares

Grant Date	Recipient	Grant date Number of instruments	Fair value at grant date per share	Vesting condition
16 December 2008	Anthony Weber	180,000	\$0.31	On issue
16 December 2008	Leanne Challans	180,000	\$0.31	On issue
16 December 2008	Edwin Reynolds	180,000	\$0.31	On issue

NOTE 8 – SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or state operations or state of affairs of the Consolidated Entity in future.

NOTE 9 – CONTINGENT LIABILITIES

There has been no change in contingent liabilities since last annual reporting date.

PROPHECY INTERNATIONAL HOLDINGS LTD

**DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

The directors of the company declare that:

1. The financial statements and notes as set out on pages 5 to 12.
 - (a) give a true and fair view of the consolidated entity's financial position as at 31 December, 2008 and its performance for the half year ended on that date; and
 - (b) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.
2. 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.

On behalf of the directors



.....
Ed Reynolds



.....
Anthony P Weber

Signed at ADELAIDE, this 19 February 2009.



**Grant Thornton South Australian
Partnership**
ABN 27 244 906 724

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
DX 275 Adelaide

T 61 8 8372 6666
F 61 8 8372 6677
E info@gtsa.com.au
W www.grantthornton.com.au

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Prophecy International Holdings Limited (the Company) and consolidated entities, which comprises the interim balance sheet as at 31 December 2008, and the interim income statement, interim statement of changes in equity and interim cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both the Company and the entities it controlled at the half-year's end or from time to time during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

**INDEPENDENCE AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF PROPHECY INTERNATIONAL HOLDINGS LIMITED
(CONT)**

Auditor's responsibility (Cont)

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

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

Independence

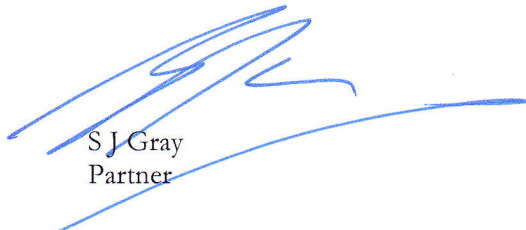
In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

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

- 1 giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- 2 complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Wayville on this 19th day of February 2009