



Prophecy

PROPHECY INTERNATIONAL HOLDINGS LTD

ACN 079 971 618

Appendix 4D - Half Year Report

For the Period Ended 31 December 2009

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

For the Period Ended 31 December 2009

This report should be read in conjunction with the 30 June 2009 Annual Financial Report of the consolidated entity.

1 Summary of results	% change	Direction	\$
Revenue from ordinary activities	10%	down	2,480,482
Profit from ordinary activities before tax attributable to members	63%	down	492,959
Profit from ordinary activities after tax attributable to members	78%	down	296,082
Profit from ordinary activities attributable to members (after minorities)	78%	down	296,082

The directors' have declared an interim unfranked dividend of 2 cents per share with a record date of 1st March 2010 and payment date of 17th March 2010.

2 Explanatory information

Revenues for the six months to 31 December 2009 were \$2.480 million – down 10% from the same period last year of \$2.769 million, reflecting slower sales in USA and Europe, and the strength of the Australian dollar.

For the six months to 31 December 2009, Prophecy has posted a profit before tax of \$0.493 million compared to \$1.333 million for the six months to December 2008. The income tax expense of \$0.196 million is largely a non-cash reduction representing the movement in the group's deferred tax position.

The 63% reduction in pre-tax profit reflects a downturn in net international revenues; \$0.250 million additional expenditure in research and development, and a \$0.500 million movement in foreign exchange costs due to the strength of the Australian dollar in relation to the US dollar and British pound during the comparative period.

The half year closed with a cash balance of \$5.07 million which was \$0.33 million lower than the cash balance at the same period last year.

The continued profit, a healthy cash position and a more stable Australian dollar outlook, has allowed the Directors to declare an interim unfranked dividend of 2c per share for the half year.

PROPHECY INTERNATIONAL HOLDINGS LTD
Other Information

For the Period Ended 31 December 2009

3 Net Tangible Assets per Security

	2009	2008
	\$	\$
Net Tangible Assets	6,792,469	5,674,743
Number of Securities	46,274,784	45,656,955
NTA	0.147	0.124

4 Changes in Controlled Entities

None

The reviewed financial statements for the period ended 31 December 2009 are attached.



PROPHECY INTERNATIONAL HOLDINGS LTD

ACN 079 971 618

REPORT FOR THE HALF YEAR ENDED 31 DECEMBER, 2009

CONTENTS

REVIEW OF OPERATIONS AND RESULTS OF OPERATIONS	1
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	4
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS	9
DIRECTORS' DECLARATION	14
INDEPENDENT AUDITOR'S REVIEW REPORT	15

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

REVIEW OF OPERATIONS AND RESULTS OF OPERATIONS

FINANCIALS

For the six months to 31 December 2009, Prophecy has posted a profit before tax of \$0.493 million compared to \$1.333 million for the six months to December 2008. The income tax expense of \$0.196 million is a non-cash reduction representing the movement in the group's deferred tax position. The major impact on comparative period profits was a \$0.500 million movement in foreign exchange costs due to the strength of the Australian dollar in relation to the US dollar and British pound.

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 2009 were \$2.480 million – down by 10% from the same period last year which recorded revenues of \$2.769 million, reflecting slower sales in the USA and Europe, and the strength of the Australian dollar.

The half year closed with a cash balance of \$5.07 million which was \$0.33 million lower than the cash balance at the same period last year.

The continued profit, a healthy cash position and a more stable Australian dollar, along with expectations for the full year result, has allowed the Directors to declare an interim unfranked dividend of 2c per share for the half.

SALES AND MARKETING

Revenues for the legacy software business have remained strong and this part of the business has made a solid contribution to the core profit position. A major enhancement project for DWLBC has progressed well and will continue through to the June time period.

Prophecy has built the required teams to enable solid and competitive bids in the basis2 utilities billing arena. Active marketing is proceeding in this area, particularly in North America. Our solution is strongly positioned in a number of bids which are due for finalisation in the coming months and Prophecy expects these bids to add to our full year revenue position.

Partnerships with major integrators have been nurtured over the last six months, to enforce the combined strength of our utilities solution. We expect to be able to announce substantial progress in the partnerships area during the course of the coming six months. This activity further enhances the saleability of our solution package in this market.

RESEARCH AND DEVELOPMENT

Research and development expenditure related mainly to basis2 development in the period and resulted in an increase of \$0.250 million in staff costs. All development costs are 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 investment in product development enables Prophecy to achieve its sales success.

SUPPORT OF CUSTOMERS

Our consultants have been engaged on projects in North America, United Kingdom, the Middle East, Indonesia and in Australia over the last six months. It has been a busy time for the team, with much travel and many milestones met. Training for new partners has been scheduled, and resources allocated for the new projects in the pipeline. A major new release of the basis2 system has just been completed and is ready to be shipped for installation.

OUTLOOK

Prophecy is strongly placed in a number of sales campaigns in the second half of this financial year. We have excellent partnerships for those campaigns, and compelling solutions to offer new customers. With the upcoming finalisation of these current sales programs, Prophecy expects to see an improved second half for revenue and profit. Work has progressed in advancing some of our key partnerships over the last six months and Prophecy expects to be able to announce enhanced and additional relationships in the near future in this area.

The acquisition of Promadis Pty Limited on 11 January 2010 will add to revenue and profit for the second half as this new business assimilates into the Prophecy group. Our expectation is to be able to enhance the performance of this unit over the next 12 months as we expose their product set to the work markets.

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Your directors submit the financial report of Prophecy International Holdings Ltd and controlled entities, for the half-year ended 31 December 2009.

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 2009, after providing for income tax was \$296,082. The profit before tax was \$492,959 with the income tax expense for the period representing a non-cash movement in the deferred tax and a \$10,883 USA tax refund received.

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



.....
Leanne R Challans

Signed at **Adelaide** this 18th day of **February 2010**.

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Prophecy International Holdings Ltd for the half-year ended 31 December 2009, 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



P S Paterson
Partner

Signed at Adelaide on this 18th day of February 2010

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Note	Consolidated Group	
		31 December 2009	31 December 2008
		\$	\$
Revenues from ordinary activities		2,480,482	2,768,770
Employee benefits expense		(1,495,202)	(1,200,138)
Depreciation and amortisation expense		(51,653)	(52,299)
Other expenses from ordinary activities		(440,668)	(182,985)
Profit from ordinary activities before income tax		492,959	1,333,348
Income tax expense			
- Current income tax benefit		10,883	-
- Movement in deferred tax position		(207,760)	-
		(196,877)	-
Profit from ordinary activities after related income tax	4	296,082	1,333,348
Profit attributable to minority equity interest		-	-
Profit attributable to members of the parent entity		296,082	1,333,348
Other comprehensive income			
Adjustments from translation of foreign controlled entities		(41,982)	(325,251)
Total comprehensive income for the period attributable to members of the parent entity		254,100	1,008,097
Earnings per share		Cents	Cents
Basic earnings per share		0.64	2.95
Diluted earnings per share		0.64	2.95

The accompanying notes form part of these financial statements

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	Note	Consolidated Group	
		31 December 2009 \$	30 June 2009 \$
CURRENT ASSETS			
Cash assets		5,070,352	5,404,227
Trade and other receivables		1,537,666	1,753,380
Work in progress		43,385	97,809
Current tax assets		693	765
Financial Assets		1	1
Other current assets		55,719	48,567
TOTAL CURRENT ASSETS		6,707,816	7,304,749
NON-CURRENT ASSETS			
Trade and other receivables		1,473	1,626
Deferred tax assets		1,554,146	1,822,049
Property, plant and equipment		104,666	111,727
Intangible assets		9,954	39,894
TOTAL NON-CURRENT ASSETS		1,670,239	1,975,296
TOTAL ASSETS		8,378,055	9,280,045
CURRENT LIABILITIES			
Trade and other payables		240,038	828,146
Current tax liabilities		3,561	4,025
Provisions		510,260	528,501
Other current liabilities		656,936	393,266
TOTAL CURRENT LIABILITIES		1,410,795	1,753,938
NON-CURRENT LIABILITIES			
Deferred tax liabilities		110,835	170,978
Provisions		54,002	47,487
TOTAL NON-CURRENT LIABILITIES		164,837	218,465
TOTAL LIABILITIES		1,575,632	1,972,403
NET ASSETS		6,802,423	7,307,642
EQUITY			
Issued capital	7	15,883,688	15,612,800
Reserves		(412,508)	(370,526)
Retained earnings		(8,668,877)	(7,934,752)
Parent interest		6,802,303	7,307,522
Minority equity interest		120	120
TOTAL EQUITY		6,802,423	7,307,642

The accompanying notes form part of these financial statements

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Issued Capital \$	Retained Earnings \$	Minority Interest \$	Foreign Translation Reserve \$	Share Option Reserve \$	Total \$
Balance at 1 July 2008	15,427,850	(9,805,978)	120	(275,395)	251,151	5,597,748
Profit attributable to members of parent entity	-	1,333,348	-	-	-	1,333,348
Other comprehensive income:						
Adjustments from translation of foreign controlled entities	-	-	-	(325,251)	-	(325,251)
Total comprehensive income for the period	-	1,333,348	-	(325,251)	-	1,008,097
Issue of ordinary shares	167,400	-	-	-	(167,400)	-
Dividends paid		(902,342)	-	-	-	(902,342)
Recognition of vested share options	-	-	-	-	41,074	41,074
Balance at 31 December 2008	<u>15,595,250</u>	<u>(9,374,972)</u>	120	<u>(600,646)</u>	124,825	<u>5,744,577</u>
Balance at 1 July 2009	15,612,800	(7,934,757)	120	(495,351)	124,825	7,307,637
Profit attributable to members of parent entity	-	296,082	-	-	-	296,082
Other comprehensive income:						
Adjustments from translation of foreign controlled entities	-	-	-	(41,982)	-	(41,982)
Total comprehensive income for the period	-	296,082	-	(41,982)	-	254,100
Issue of ordinary shares	270,888	-	-	-	-	270,888
Dividends paid	-	(1,030,202)	-	-	-	(1,030,202)
Balance at 31 December 2009	<u>15,883,688</u>	<u>(8,668,877)</u>	120	<u>(537,333)</u>	124,825	<u>6,802,423</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 2009**

	Consolidated Group	
	31 December 2009	31 December 2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,954,260	3,112,594
Interest received	176,047	180,536
Payments to suppliers and employees	(2,426,745)	(2,269,080)
Income tax (paid)/received	10,883	(53,299)
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	714,445	970,751
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property plant & equipment	(14,653)	(36,085)
	<hr/>	<hr/>
NET CASH PROVIDED USED IN INVESTING ACTIVITIES	(14,653)	(36,085)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,030,207)	(902,339)
Proceeds from share issues	12,775	-
	<hr/>	<hr/>
NET CASH PROVIDED USED IN FINANCING ACTIVITIES	(1,017,432)	(902,339)
	<hr/>	<hr/>
Net (decrease)/increase in cash held	(317,640)	32,327
Cash and cash equivalents at beginning of period	5,404,227	5,295,343
Effects of foreign exchange rate changes	(16,235)	72,699
	<hr/>	<hr/>
Cash and cash equivalents at end of period	5,070,352	5,400,369
	<hr/>	<hr/>

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 2009

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 2009 comprises the Company and its subsidiaries (together referred to as the "consolidated group").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2009 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

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Prophecy International Holdings Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

This interim financial report was approved by the directors on the 18th February 2010.

NOTE 3 – ACCOUNTING STANDARDS NOT PREVIOUSLY APPLIED

These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2009 except for the adoption of :

- AASB 101 *Presentation of Financial Statements*
- AASB 8 *Operating Segments*

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF - YEAR ENDED 31 DECEMBER 2009

The adoption of AASB 8 has not affected the identified operating segments for the Group. However, reported segment results are now based on internal management reporting information that is regularly reviewed by the chief operating decision maker which, for the Group, is the board of directors.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

NOTE 4 – PROFIT FOR THE PERIOD

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

	Consolidated Group	
	31 December 2009	31 December 2008
	\$	\$
Net Foreign Exchange (gain)/loss	63,294	(434,107)

NOTE 5 – DIVIDENDS

An interim unfranked dividend of 2 cents per share was paid in March 2009 (2 cents previous period) and a final unfranked dividend of 2.25 cents per share was paid in October 2009 (2 cents previous period).

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

CONDENSED NOTES TO THE INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2009

NOTE 6 – OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of the geographical location since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria.

Operating Segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and/or services provided by the segment
- The type or class of customer for the products or service
- External regulatory requirements

Types of products and services by segment:

All Segments may sell the following products and services:

- Initial Licence Fees
- Annual Licence and Maintenance Fees
- Consulting and Training Services

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief 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.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set 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 for the Groups 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 net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

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.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables.

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. No restatement of comparative information has been needed to conform to the requirements of the Standard.

PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

NOTE 6 - SEGMENT INFORMATION

2009

	Australia \$	Europe \$	America \$	South East Asia \$	Africa \$	Intersegment Eliminations \$	Consolidated \$
Sales to customers outside consolidated entity	1,474,199	97,490	542,184	199,789	56,855	-	2,370,517
Intersegment sales	569,189	-	84,055	-	-	(653,244)	-
Other revenue	109,965	3,765	-	-	-	(3,765)	109,965
Total segment revenue	2,153,353	101,255	626,239	199,789	56,855	(657,009)	2,480,482

Segment net profit before tax	542,097	(16,996)	(229,019)	-	-	-	296,082
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Segment assets	7,345,037	436,134	592,164	4,720	-	-	8,378,055
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Additions to Fixed Assets	14,653	-	-	-	-	-	14,653
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Segment Liabilities	957,044	40,051	575,607	2,930	-	-	1,575,632
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2008

	Australia \$	Europe \$	America \$	South East Asia \$	Africa \$	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
Total segment revenue	2,076,421	249,583	1,258,986	114,932	-	(931,152)	2,768,770

Segment net profit before tax	1,385,398	(114,805)	68,709	(5,954)	-	-	1,333,348
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Segment assets	7,733,135	1,208,229	333,608	5,073	-	-	9,280,045
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Additions to Fixed Assets	46,278	-	7,507	-	-	-	53,785
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Segment Liabilities	(2,090,347)	61,835	4,000,915	-	-	-	1,972,403
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PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL REPORT FOR THE HALF - YEAR ENDED 31 DECEMBER 2009

NOTE 7 – SHARE CAPITAL

During the six months ended 31 December 2009 the company issued the following shares:

	Date issued	Ordinary shares	\$
Balance at 1 July 2009		45,786,955	15,612,800
Shares issued following exercise of options	16 October 2009	35,000	12,775
Shares issued to directors	20 November 2009	452,829	258,113
		<u>46,274,784</u>	<u>15,883,688</u>

NOTE 8 – SHARE BASED PAYMENTS

At the 2009 Annual General Meeting held on the 13 November 2009 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	\$
13 November 2009	Anthony Weber	150,943	\$0.57	86,037
13 November 2009	Leanne Challans	150,943	\$0.57	86,038
13 November 2009	Edwin Reynolds	150,943	\$0.57	86,038
				<u>258,113</u>

No consideration has been received for shares issued to directors in the period.

NOTE 9 – SUBSEQUENT EVENTS

On 11th January 2010 the group acquired 100% of the issued share capital of Promadis Pty Limited, a company based in Adelaide. The cost of acquisition includes the components stated below. The purchase price was settled in shares and cash. The fair value of the equity shares issued was based on the market value of the Group's traded equity shares at the date of the combination.

Equity shares issued	\$ 585,000
Purchase price, settled in cash	\$ <u>560,000</u>
Total fair value of purchase consideration	<u>\$1,145,000</u>

In addition, an earn out formula is payable, relating to future profits in excess of set targets over a three year period.

The purchase consideration has yet to be apportioned between the fair value of assets and liabilities acquired.

NOTE 10 – 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 2009**

The directors of the company declare that:

1. The financial statements and notes as set out on pages 5 to 13 are in accordance with the Corporations Act 2001, including:
 - (a) give a true and fair view of the consolidated entity's financial position as at 31 December, 2009 and its performance for the half year ended on that date; and
 - (b) comply with Accounting Standard AASB 134: Interim Financial Reporting.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



.....
Ed Reynolds



.....
Leanne R Challans

Signed at ADELAIDE, this 18th February 2010.

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

We have reviewed the accompanying half-year financial report of Prophecy International Holdings Ltd (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of 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 controls 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 Engagements, ASRE 2410: Review of Interim and Other Financial Reports 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 2009 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.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF PROPHECY INTERNATIONAL HOLDINGS LTD Cont**

Auditor's responsibility Cont

As the auditor of Prophecy International Holdings Ltd, 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 Ltd is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



P S Paterson
Partner

Signed at Adelaide on this 18th day of February 2010