2009
2010
annual report

Prophecy International Holdings Limited

corporate directory

For The Year Ended 30 June 2010

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

Directors
Edwin Reynolds
Anthony P Weber
Leanne R Challans

Company Secretary
Anthony P Weber

Registered Office
Level 2
124-132 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
28 Greenhill Road
Wayville
South Australia 5034
Telephone: +61 8 8357 8040
Facsimile: +61 8 8357 8860

Email
info@prophecyinternational.com

Internet
ProphecyInternational.com
basis2.com
promadis.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

basis2, ProphecyOpen, Prophecy, Prophecy Object Framework are trademarks of Prophecy International Holdings Ltd. and its subsidiaries. All other company and product names may be trademarks of their respective owners.

Prophecy designs, develops and markets software through its business partner channel to companies worldwide and has been doing so since 1980. Our software is used by large and complex organisations worldwide and our technology allows dramatic improvements in the development of customer service and business systems. basis2, a suite of billing and customer information solutions, is our core product and is distributed through a network of business partners in each of our territories (Americas, Europe/Middle East/Africa (EMEA) and Asia/Pacific).

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 complete product set of basis2 and e-foundation 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

Function-rich and flexible enough for all regulated, transitioning and deregulated markets, basis2 allows companies to successfully compete in this evolving industry. Research indicates that the CIS market is worth over US$50 billion in software and services and is yet to find a distinct market leader. This presents Prophecy with a unique opportunity to make a significant impact in this industry, at a time when utilities need to update their CIS to remain competitive. 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.

"basis2 is impressive in many ways, including its Oracle application design, its email and bill presentation capability and the flexibility and strength of its billing engine….. basis2 will make an exciting impact on the CIS market"

– Gary Weseloh, Senior Consultant – TMG Consulting (TMG Consulting is one of North America's top utility consultants and provides utilities and their suppliers with customer and financial system review, planning, selection, and project quality assurance.)

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 organizations such as councils and universities, needing to bill customers for a range of products and services. Prophecy has over 10 years experience in the utilities industry and a comprehensive understanding of the way utility companies work. Our original product – BASIS, is used by a number of utilities in Australia, Asia and the USA. 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 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.

• Prophecy e-Portal

Enables organisations to deploy B2B and B2C transactions over the internet.

• Legacy Integration

Addresses the need for businesses to extend the use of existing technology rather than replace – a significant opportunity in today's IT market.

Consulting Services

In conjunction with the sale of licenses for our software products, Prophecy will continue to provide consulting services in conjunction with partners. This will involve mentoring services, design and development of enhancements or new software, project management and support. We have a strong track record of delivery on time and within budget and our rapid application assembly methodology delivers solutions faster than traditional methods. Major projects completed and in progress include those for government and financial services organisations.

Births Deaths and Marriages Registry Offices System by Promadis

Everyone is touched by the vital record management function of a Registry Office, whether as a result of their own family genealogy (birth records, marriage records 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 CASEMAN+CSI
PROMADIS CASEMAN+CSI is 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, CaseMan+CSI's role is to bring together all three of these essential capabilities into a single totally integrated IT application. An application which places major emphasis on delivering efficiency, service delivery,quality standards and control.

Having now been involved with Forensic Science for over eight years, PROMADIS has come to understand many of the key issues facing Forensic Police around the world.

For example, 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.

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FINANCIAL CALENDAR 2009-2010

Annual Results Announced
26th August 2010

Annual General Meeting
The Annual General Meeting of shareholders of Prophecy International Holdings Limited will be held at The Rendezvous Allegra Hotel, 55 Waymouth Street, Adelaide, South Australia at 11.00 am (SA time) on 12th November 2010

message from the chairman

For The Year Ended 30 June 2010

Dear Fellow Shareholder

The 2009-2010 year has produced a profit before tax of $0.652 million compared to the last year profit of $1.837 million. Prophecy experienced a year where delayed decisions from prospects resulted in a lower than expected revenue line along with lower profit. The after tax profit was $0.333 million. This result was a disappointment coming after the previous three very strong profit years.

A good sign of a reversal of fortunes though is our budget for the 2010/2011 financial year shows a strong profit result for the first half. There are an increased number of deals slated for conclusion in the first half, when compared to last year. Our staff are working these transactions hard for a healthy start to the new year.

Revenues for the year fell to $5.053 million from last year's level of $6.411 million reflecting the slower sales cycle. Our services revenues declined from $2.059 million last year to $1.852 million in this year. License revenues came in at $2.997 million compared with last year at $4.063 million.

In the 2009/2010 year we completed the acquisition of Promadis which will have a positive effect on profits in this year. Our directors continue to be active in seeking additional opportunities to acquire intellectual property suitable for the world markets. The current focus has been on a number of larger opportunities that have excellent growth potential. Prophecy expects to be able to complete another transaction during the course of this financial year and add significant value in the process.

Cash on hand at the end of June 2010 was $4.449 million, down from last year's position of $5.404 million. The operating net cashflow for the year was $1.550 million. Earlier in the year we paid an unfranked interim dividend of 2c per share. We have added to this with a final unfranked dividend of 0.5 cents, to bring the full year total to 2.5 cents. Prophecy maintains a very strong Balance Sheet with no debt, over $4.4 million cash on hand and valuable Intellectual Property assets that are not 100% recognized on its books as all development is expensed. Our audit has resulted in some prior period adjustments to the accounts amounting to $11,585 as detailed in note 1(u).

Prophecy now runs three major business units which consist of our basis2 billing unit as well as our separate legacy systems comprising the products such as Prophecy Classic, ProphecyOpen and e-Foundation along with our recently acquired Promadis business unit. The legacy systems have been running as a profitable unit for some time and have continued to do so in the 2009-2010 year. The highlight of the year for this part of the business was the successful completion of a major system enhancement project for the South Australian Department for Water to cater for new requirements as a result of the National Water Initiative. Our eFoundation rapid application development software has once again shown its strengths here with a timely delivery of complex enhancements required in a relatively short time period.

The 2010 year was a disappointment for our basis2 solution as the sales process slowed with deferred decisions that resulted from lower funding availability after the GFC. Giza Systems, our partner for the Middle East embarked on the implementation phase of a large contract to provide basis2 as the new billing system for the Holding Company for Water and Waste Water (HCWW). The HCWW is a relatively new organization appointed by the Government of Egypt to improve the provision of water and waste water facilities throughout the country of Egypt. Once fully implemented, the basis2 system will handle the billing for all 9.5 million water accounts in the country of Egypt. This is a major project which involved translation services to produce an Arabized version of our product for the Middle East. Additional business is expected to flow from the Middle East region as a result of this initial deal.

message from the chairman

For The Year Ended 30 June 2010

The Texas Commission on Environmental Quality (TCEQ) basis2 project moved to a phase two status with the delivery of an expanded solution.The City of Philadelphia project was brought to a conclusion with the completion of project work during the course of the year.

Our newly acquired Promadis business unit settled in running as part of the Prophecy Group for the first time. Accounting and Management reporting systems were aligned to fit in with the Prophecy methodology and additional staff engaged to prepare the unit for the new Financial year. Major projects for the unit included Yellow Corporation, Seed Technology and Marketing, SA Police super, SA Heart, Adelaide Cancer Centre, Forensic Science SA, SA Births Deaths Marriages, NT BDM and Nauru BDM.

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.

Ed Reynolds
Chairman

Directors

The following held office as Directors of Prophecy International Holdings Limited throughout the year.

Ed Reynolds B.Sc.
Non-Executive Director & Chairman
Ed was appointed Non-Executive Chairman on the 8th December 2006. He has held various positions within the IT industry, which have 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. Ed is also Chairman of the Strategy Committee.

Anthony P (Tony) Weber FCPA, FCIS
Non-Executive Director, CompanySecretary and Chief Financial Officer.
Tony has been an active member of the
Prophecy Board throughout the past thirteen 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 is Chairman of both the Audit and Remuneration Committees, and took on the role of Chief Financial Officer and Company Secretary on 19th October 2005.

Leanne Challans B.Sc
Managing Director
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 1990s.

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.

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

None of the directors have held directorships with other listed entities during the last three years.

Principal Activities

The main activities of the holding company and its subsidiaries were the design, development and marketing of computer software applications and services aimed at the worldwide corporate marketplace. There has been no significant change in the nature of these activities during the year.

Consolidated Results

For the year ended 30th June 2010 the group returned a profit from ordinary activities after tax of $333,135.

Dividends

The Directors have declared a final dividend of 0.50 cents per share (unfranked) with a record date of the 14th September, 2010 and payment date of 4th October, 2010. The Company also paid an interim dividend of 2.0 cents on 17th March 2010. This brings the full year dividend to 2.50 cents per share. The Conduit Foreign Income portion of the final dividend is zero.

Review of Operations

A review of operations is set out in the section headed "Message from the Chairman" of this report.

Significant changes in State of Affairs

There were no significant changes in the state of affairs during the year, other than the acquisition of Promadis Pty Ltd which is referred to in the Chairman's message and note 22(b) of the financial statements.

Events subsequent to reporting date

Other than the matters disclosed in this report, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial years.

Future Developments

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

Directors Benefits

Except as disclosed in this report, in the 2010 financial year, no Director has received or become entitled to receive a benefit (other than remuneration included in the Accounts) by reason of a contract made by the entity or a related entity with a Director or a firm of which he is a member or with an entity in which he has a substantial financial interest.

Directors Interests in Shares and Share options

The following table shows the particulars of Directors' interests in the ordinary shares and share options of the company as at 14th September 2010.

Director	Ordinary Shares held Directly or Indirectly by the Director	Options held by the Director
E. Reynolds	7,810,000	-
A.P. Weber	755,943	-
L. Challans	774,880	-

At the 13th November 2009 Annual General Meeting, Directors were granted 452,829 shares relating to the group profit performance of the 2008/09 financial year, if a profit before tax of $1.750 million was achieved. This performance condition was achieved.

Corporate Governance

The Board has adopted formal policies for those issues which need its approval and has established levels of authority for its senior executives. Such issues of substance are considered by the Board with external advice from its professional advisers as required. Commentary on the Corporate Governance approach taken by the company is included in the Corporate Governance section of this report.

Share Options

All outstanding share options are over the ordinary shares of Prophecy International Holdings Limited. During the 2010 financial year no options were granted under the Employee Share Option Plan.

At the date of this report the company has the following options outstanding:

Grant date	Scheme	Exercised since 30-6-10	Balance at 31-8-10	Conversion dates from	Conversion dates before	Exercise price
29 Nov 07	Employee		685,000	29 Nov 08	29 Nov-12	$0.365
Total			**685,000**			

There are 16 holders of share options at 14th September 2010
There have been no shares issued since the end of the financial year.

Directors Meetings

In the year ended 30th June 2010, the following Board, Audit Committee, Remuneration Committee and Strategy Committee meetings were held:

	Board		Audit		Remuneration		Strategy	
	Eligible	Attend	Eligible	Attend	Eligible	Attend	Eligible	Attend
E Reynolds	13	13	3	3	4	4	9	9
A P Weber	13	12	3	3	4	4	9	9
L Challans	13	11	-	2	-	-	-	-

Indemnification and Insurance of Directors and Officers

In the financial year, the company has paid premiums of $44,480 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.

Remuneration Report - Audited

This report details the nature and amount of emoluments for each key management person of the group.

Remuneration Policy

The remuneration policy of Prophecy International Holdings Limited has been designed to align director and executive 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 consolidated entity's financial results. The board of Prophecy International Holdings Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity 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.

• 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 comparable companies 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 the 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 is $240,000. This compares with an actual charge of $70,000 in the 2009/10 year.

Performance Based 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 directors/executives to ensure buy-in. The measures are specifically tailored to the areas each director/executive 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.

In determining whether or not a KPI has been achieved, Prophecy International Holdings Limited bases the assessment on audited financial statements.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to the majority of 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.

Details of Remuneration for Year Ended 30 June 2010

The remuneration for each director and the Key Management Personnel of the consolidated entity during the year was as follows:

Directors	Directors Fees $	Consulting Fees $	Share based payments (***) $	Superannuation $	Total $
E Reynolds	30,000	52,266	86,038	2,700	171,004
A P Weber	40,000	59,272	86,038	8,934	194,244
Total	**70,000**	**111,538**	**172,076**	**11,634**	**365,248**

Key Management	Base Remuneration $	Incentives $	Share based payments (***) $	Superannuation $	Health Cover & Allowances $	Total $
L R Challans (Managing Director)	160,000	25,000	86,038	16,650	-	287,688
D Shaw (from 1st January 2010)	71,000	-	-	6,390	15,000	92,390
P Barzen	118,420	17,440	-	41,623	21,115	198,598
Total	**349,420**	**42,440**	**86,038**	**64,663**	**36,115**	**578,676**

*** Details of the calculation of this payment can be found in Note 25 in notes to the accounts.

No incentives or share based payments will be payable to directors relating to the 2009/10 financial year as the profit target was not achieved.

2009

Directors	Directors Fees $	Consulting Fees $	Share based payments (***) $	Superannuation $	Total $
E Reynolds	25,000	48,441	55,800	2,250	131,491
A P Weber	27,500	63,116	55,800	8,155	154,571
Total	**52,500**	**111,557**	**111,600**	**10,405**	**286,062**

Key Management	Base Remuneration $	Incentives $	Share based payments (***) $	Superannuation $	Health Cover & Allowances $	Total $
L R Challans (Managing Director)	150,875	-	55,800	15,829	-	222,504
P Barzen	158,826	84,139	-	23,740	25,277	291,982
Total	**309,701**	**84,139**	**55,800**	**39,569**	**25,277**	**514,486**

Performance Income as a Proportion of Total Remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The remuneration committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the consolidated entity. The remuneration committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

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 an employee of Promadis Pty Limited, which are controlled entities of Prophecy International Holdings Limited.

The employment contracts stipulate a notice period of 4 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.

End of Remuneration Report

Proceedings on Behalf of Company

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

Non-audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company and/or the group are important.

Details of amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision for non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

• All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.

• None of the services undermine the general principles relating to auditor independence as set out in APES 110 : Code of Ethics and Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:
Taxation and Accounting services: $15,875

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30th June 2010 has been received and can be found on page 22 of this report.

This report of the directors incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors.

Ed Reynolds	Leanne Challans
Chairman	**Managing Director**

Dated this 22nd day of September, 2010

Statement of Commitment
The Prophecy International Board and management 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 principles in all regions of Australia, together with ensuring compliance with additional relevant standards and regulations in the other countries in which it operates

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, Company Secretary and Chief Finance 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, Strategy 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 executives 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 and Officers, and public and product liability.

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.

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 December 2007

The Board has considered each of the eight (8) Principles of Good Corporate Governance and sets out below its 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 (3) Board Directors – Chairman, Managing Director and Non Executive Director, and (1) Senior Executive. Performance over the past 3 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 have 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:** Report on process to be compliant with this principle.

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 (3) experienced directors including the Managing Director. The Board believe that over the past 3 financial years where the Company has returned to profit and paying dividends to its shareholders, that it has performed an effective job 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 considered not cost effective until 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: Report on progress to be compliant with this view.

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, customers, suppliers, creditors, consumers and the broader community in which they operate.

• 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.

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. The CEO and CFO present a S295A certificate to the Board for 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 only of 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 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.

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 Principle 6.

• **PRO View:** No additional reporting is considered necessary.

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 2009/10 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.

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 2010, 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.

This declaration is in respect of Prophecy International Holdings Limited and the entities it controlled during the year.

Yours faithfully
GRANT THORNTON
South Australian Partnership
Chartered Accountants

P S Paterson
Partner

Adelaide, 22 September 2010

PROPHECY INTERNATIONAL HOLDINGS LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 30 June 2010

	Note	Consolidated group 2010 $	Consolidated group 2009 $
Revenue	2	5,053,366	6,411,546
Employee benefits expense		3,390,008	3,157,868
Depreciation and amortisation expense	3(c)	106,249	109,960
Other expenses	3(d)	904,980	1,305,723
Profit before income tax		652,129	1,837,995
Income tax expense			
- Current income tax (recovery)/expense	4	9,856	(4,025)
- Movement in deferred tax provision	4	(328,850)	1,580,341
Profit for the year		333,135	3,414,311
Profit attributable to non-controlling interests		-	-
Profit attributable to members of Prophecy International Holdings Ltd		333,135	3,414,311
Other comprehensive income:			
Exchange differences on translating foreign controlled entities		(97,004)	(16,593)
Income tax recovery/(expense) on other comprehensive income		53,228	82,315
Total other comprehensive income net of tax		(43,776)	65,722
Total comprehensive income for the year		289,359	3,480,033
Total comprehensive income attributable to:			
Members of Prophecy International Holdings Ltd		289,359	3,480,033
Non-controlling interests		-	-
		289,359	3,480,033
Basic earnings per share (cents per share)	34	0.7	7.5
Diluted earnings per share (cents per share)	34	0.7	7.5

The accompanying notes form part of these financial statements.

PROPHECY INTERNATIONAL HOLDINGS LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

	Note	Consolidated group 2010 $	Consolidated group 2009 $
CURRENT ASSETS			
Cash and cash equivalents	6	4,449,570	5,404,227
Trade and other receivables	7	648,812	1,753,380
Financial assets at fair value through profit or loss	8	1	1
Work in progress	9	41,684	97,809
Current tax assets	10	699	765
Other current assets	11	54,040	48,567
TOTAL CURRENT ASSETS		5,194,806	7,304,749
NON-CURRENT ASSETS			
Trade and other receivables	12	1,549	1,626
Deferred tax assets	13	1,546,126	1,772,542
Property, plant and equipment	14	103,181	111,727
Intangible assets	15	1,226,250	39,894
TOTAL NON-CURRENT ASSETS		2,877,106	1,925,789
TOTAL ASSETS		8,071,912	9,230,538
CURRENT LIABILITIES			
Trade and other payables	16	244,330	828,146
Current tax liabilities	17	9,029	4,025
Provisions	20	725,194	528,501
Other current liabilities	18	385,955	393,266
TOTAL CURRENT LIABILITIES		1,364,508	1,753,938
NON-CURRENT LIABILITIES			
Deferred tax liabilities	19	97,460	109,886
Provisions	20	7,097	47,487
Other non-current liabilities	22	100,000	-
TOTAL NON-CURRENT LIABILITIES		204,557	157,373
TOTAL LIABILITIES		1,569,065	1,911,311
NET ASSETS		6,502,847	7,319,227
EQUITY			
Issued capital	21	16,481,464	15,612,800
Reserves		(128,624)	(84,848)
Retained earnings		(9,850,113)	(8,208,845)
Parent interest		6,502,727	7,319,107
Non-controlling interest		120	120
TOTAL EQUITY		6,502,847	7,319,227

The accompanying notes form part of these financial statements.

PROPHECY INTERNATIONAL HOLDINGS LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended 30 June 2010

	Note	Consolidated group 2010 $	Consolidated group 2009 $
Cash Flows from Operating Activities			
Receipts from customers		6,189,371	5,593,106
Payments to suppliers and employees		(4,864,025)	(3,912,725)
		1,325,346	1,680,381
Interest received		223,207	276,343
Income tax refunded/(paid)		2,248	(49,428)
Net cash inflow from operating activities	32	1,550,801	1,907,296
Cash Flow from Investing Activities			
Payments to acquire subsidiary, net of cash acquired	22(b)	(516,807)	-
Payments for property, plant and equipment		(17,123)	(53,785)
Net cash outflow from investing activities		(533,930)	(53,785)
Cash Flow from Financing Activities			
Dividends paid by parent entity		(1,974,403)	(1,817,178)
Proceeds from issue of shares from option conversions		25,550	17,550
Net cash outflow from financing activities		(1,948,853)	(1,799,628)
Net (decrease)/increase in cash held		(931,982)	53,883
Cash at the beginning of the financial year		5,404,227	5,295,343
Effect of exchange rates on overseas cash holdings		(22,675)	55,001
Cash at the end of the financial year	6	4,449,570	5,404,227

The accompanying notes form part of these financial statements.

PROPHECY INTERNATIONAL HOLDINGS LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Year Ended 30 June 2010

	Consolidated group					
	Ordinary Shares $	Exchange Fluctuation Reserve $	Share Option Reserve $	Retained Earnings $	Non-controlling interest $	Total $
Balance at 1 July 2008	15,427,850	(275,395)	251,151	(9,805,978)	120	5,597,748
Profit attributable to members of parent entity	-	-	-	3,414,311	-	3,414,311
Other comprehensive income attributable to members of parent entity	-	65,722	-	-	-	65,722
Shares issued as remuneration	167,400	-	(167,400)	-	-	-
Recognition of bonus element of share options	-	-	41,074	-	-	41,074
Shares issued on the exercise of share options	17,550	-	-	-	-	17,550
Dividends paid	-	-	-	(1,817,178)	-	(1,817,178)
Balance at 30 June 2009	15,612,800	(209,673)	124,825	(8,208,845)	120	7,319,227
Balance at 1 July 2009	15,612,800	(209,673)	124,825	(8,208,845)	120	7,319,227
Profit attributable to members of parent entity	-	-	-	333,135	-	333,135
Other comprehensive income attributable to members of parent entity	-	(43,776)	-	-	-	(43,776)
Shares issued in consideration of business combinations	585,000	-	-	-	-	585,000
Shares issued as remuneration	258,114	-	-	-	-	258,114
Shares issued on the exercise of share options	25,550	-	-	-	-	25,550
Dividends paid	-	-	-	(1,974,403)	-	(1,974,403)
Balance at 30 June 2010	16,481,464	(253,449)	124,825	(9,850,113)	120	6,502,847

The accompanying notes form part of these financial statements.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has 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.

The financial report covers the consolidated group of Prophecy International Holdings Limited and its controlled entities ("Consolidated group"). Prophecy International Holdings Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with the International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applies unless otherwise stated.

All amounts are presented in Australian dollars unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the entities controlled by Prophecy International Holdings Limited. A controlled entity is any entity over which Prophecy International Holdings Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

Details of controlled entities can be found in Note 22 to the financial statements.

All inter-company balances and transactions between entities in the Consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

As at 30 June 2010, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

Where controlled entities have entered or left the group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Non-controlling interests in the results and equity of the subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively.

(b) Income Tax

The Consolidated group adopts the liability method of tax-effect accounting whereby the income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by the changes in deferred tax assets and liabilities attributable to temporary timing differences and to unused tax losses.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Prophecy International Holdings Limited and Prophecy R&D Pty Ltd have formed a tax consolidated group pursuant to the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has been notified of this decision. In addition, the Board has decided that Promadis Pty Ltd will join the tax consolidated group from 1 January 2010.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(d) Earnings per Share

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing the profit after income tax attributable to members of Prophecy International Holdings Ltd by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of 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 related weighted average number of shares assumed to have been issued for no consideration.

(e) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to Note 1(f)(iii)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(f) Intangible Assets

(i) Intellectual Property, Patents and Trademarks

Intellectual Property, patents and trademarks are recognised at cost of acquisition. Intellectual Property, patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Intellectual Property, patents and trademarks are amortised on a prime cost basis over their useful life which is estimated to be 7 years.

(ii) 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.

Development costs have a finite life and are amortised on a systematic basis over the useful life of the project.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) 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.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(g) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Consolidated group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) Employee Benefits

(i) Wages and Salaries and Annual Leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. Employee benefits payable later than one year from the reporting date have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(ii) Long Service Leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity to match, as closely as possible, the estimated future cash outflows.

(iii) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Equity based compensation benefits

Equity based compensation benefits are provided to employees via the Prophecy International Holdings Limited Employee Option Plan. Equity based compensation benefits are also provided to key management personnel by way of individual share option schemes.

Information relating to the schemes is set out in notes 25 and 27.

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 options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(i) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(iii) Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income.

(iv) Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost.

(v) Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(vi) Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(j) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases.

Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the life of the lease.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

(i) Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.
The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(ii) Depreciation

The depreciable amount of all fixed assets is depreciated on a reducing basis over their useful lives to the Consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	10% to 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

(l) Revenue Recognition, Work in Progress and Receivables

Revenue is measured at the fair value of consideration received or receivable after taking account of any returns, trade allowances, duties and levies paid. All revenue is stated net of Goods and Services Tax (GST).

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 contracts.

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

Interest revenue is recognised using the effective interest rate method.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Foreign Currency Translation

(i) 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.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income.

(iii) 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.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of the group's net investment in foreign operations with a functional currency different from the group's presentation currency are recognised as other comprehensive income. These cumulative differences are transferred from equity to profit or loss as a reclassification adjustment in the period in which the operation is disposed.

(n) 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 results and that outflow can be reliably measured.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(q) Contributed equity

Ordinary shares are recognised as equity.
Incremental costs directly attributed to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Adoption of new and revised accounting standards

During the current year the Consolidated group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations that 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 that adoption of these standards and interpretations has had on the financial statements of Prophecy International Holdings Limited.

AASB 3: Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes only apply to business combinations first recognised after 1 July 2009.

The impact on the Consolidated group's financial statements in relation to the acquisition of Promadis Pty Ltd is set out below:

Recognition and measurement impact

Recognition of acquisition costs - The revised standard requires that all acquisition costs are expensed in the period in which they occur. Previously these costs were capitalised as part of the cost of the business combination.
In the current period acquisition costs of $45,812 have been expensed in relation to the purchase of Promadis Pty Ltd.

Measurement of contingent consideration - The revised standard requires that contingent consideration associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of expected payment. Any subsequent changes in the fair value or probability of settlement are recognised in the statement of comprehensive income, except to the extent that they relate to conditions that existed at the date of acquisition and that are identified during any "Measurement period." In this case the cost of acquisition is adjusted. The previous version of the standard allowed such changes to be recognised as a cost of the combination impacting goodwill.

In accounting for the acquisition of Promadis Pty Ltd, contingent consideration of $100,000 has been recognised. There has been no current year impact on the statement of comprehensive income, but it is likely that some impact will be noted in future accounting periods as the value or probability of settlement of the consideration changes.

Disclosure impact

The revised standard contains a number of additional disclosure requirements compared to the previous standard. The revised disclosures are designed to ensure that users of the Consolidated group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements. Details of the acquisition of Promadis Pty Ltd can be found in Note 22.

AASB 8: Operating Segments

In February 2007, the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. Consequently, some of the required operating segment disclosures have changed. In addition, there is a possible impact on the impairment testing of goodwill allocated to cash generating units (CGUs) of the entity. Set out below is an overview of the key changes and the impact on the Consolidated group's financial statements.

Measurement impact

Identification and measurement of segments - AASB 8 requires a "management approach" to the identification, measurement and disclosure of operating segments. This approach requires that segments are identified on the basis of internal reports that are regularly reviewed by management, for the purpose of allocating resources and assessing performance.
Unlike AASB 114 this could identify segments that primarily or exclusively sell to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered. The adoption of the management approach to segment reporting has identified reportable segments largely consistent with the prior year, although the acquisition of Promadis Pty Ltd has resulted in additional reportable segments being identified.

Impairment testing of the segment's goodwill

AASB 136: Impairment of assets, paragraph 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquiree's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each CGU which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however, it cannot be larger than an operating segment.
Therefore, because of the changes to the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a previous segment had to be split as a result of the application of AASB 8. Management have considered the requirements of AASB 136 and have determined that the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact

AASB 8 requires a number of additional qualitative and quantitative disclosures, not previously required under AASB 114, where such information is utilised by management. To the extent applicable to the Consolidated group, this information is now disclosed in the financial statements.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 101: Presentation of Financial Statements
In September 2007, the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. An overview of the key impacts on the Consolidated group's financial statements is set out below.

Disclosure impact
Terminology changes - The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements and the change of the term "minority interests" to "non-controlling interests."

Reporting changes in equity - The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be recognised in the statement of changes in equity, with all other changes in equity to be recognised in a new statement of comprehensive income. Previously, all changes in equity were recognised in the statement of changes in equity.

Statement of comprehensive income - The revised standard requires that all income and expenses are presented in either a single statement of comprehensive income or in two statements, one being a separate income statement as well as a new statement of comprehensive income. Previously, only an income statement was required. The Consolidated group has adopted the two statement approach and the financial statements now include a statement of comprehensive income as well as a separate income statement.

Other comprehensive income - The revised standard introduces the concept of "other comprehensive income" which comprises income and expenses that are not recognised in profit or loss as required by Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(t) New accounting standards and interpretations for application in future periods
The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Consolidated group has decided against early adoption of those future requirements. A discussion of those future requirements that may have a material impact on the Consolidated group are shown below:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1,3,5,7,101,102,108,112,118,121,127,128,131,132,136,139,1023& 1038 and Interpretations 10 & 12] (all applicable to annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and amend the classification and measurement of financial assets. The Consolidated group has not yet determined any potential impact on the financial statements.

The changes made to the accounting requirements that may affect the Consolidated group include:

- simplification of the classification of financial assets into those carried at amortised cost and those carried at fair value

- AASB 1053: Application of Tiers of Australian Accounting Standards and Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (all applicable to annual reporting periods commencing on or after 1 July 2013).

These Standards establish a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards; and
(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

The Consolidated group will be subject to the Tier 1 reporting requirements and so there is unlikely to be any material impact on the financial statements from these Standards.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Prior Year Adjustment

In 2009 when deferred tax balances were brought to account the treatment of foreign currency transactions held within reserves was incorrect. Realised losses should have been released to the Statement of Comprehensive Income and unrealised gains/ losses should have been tax effected.

In addition, share based payments in prior periods have not been adjusted in determining the income tax expense/ benefit.

The net impact on the deferred tax balances and equity in prior periods is $11,585 with the impact on individual balances being reflected in the table below.

Impact on Consolidated Statement of other Comprehensive Income:

	2009 $	Profit Increase/ (Decrease) $	2009 restated $
Revenue	6,411,546	-	6,411,546
Employee expenses	(3,157,868)	-	(3,157,868)
Depreciation expense	(109,960)	-	(109,960)
Other expenses	(1,102,360)	(203,363)	(1,305,723)
Profit before tax	**2,041,358**	**(203,363)**	**1,837,995**
Income tax expense			
- Current income tax	(4,025)	-	(4,025)
- Deferred tax	1,651,071	(70,730)	1,580,341
Profit for the year	**3,688,404**	**(274,093)**	**3,414,311**
Other comprehensive income			
Exchange differences on foreign controlled entities	(219,956)	203,363	(16,593)
Income tax effect of foreign currency differences	-	82,315	82,315
Other comprehensive income for the year	**(219,956)**	**285,678**	**65,722**
Total comprehensive income for the year	**3,468,448**	**11,585**	**3,480,033**

Impact on Statement of Financial Position (extract)

	30 June 2009 $	Increase/ (Decrease) $	30 June 2009 restated $
Deferred tax assets	1,822,049	(49,507)	1,772,542
Deferred tax liabilities	(170,978)	61,092	(109,886)
Net Assets	**7,307,642**	**11,585**	**7,319,227**
Equity			
Reserves	(370,526)	285,678	(84,848)
Retained earnings	(7,934,752)	(274,093)	(8,208,845)
	7,307,642	**11,585**	**7,319,227**

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a reduction of $0.06 cents per share.

Third statement of financial position
Two comparative periods are presented for the statement of financial position when the Group:

i Applies an accounting policy retrospectively,
ii Makes a retrospective restatement of items in its financial statements, or
iii Reclassifies items in the financial statements.

The directors have determined that only one comparative period for the statement of financial position is required for the current reporting period as the prior period adjustment has no impact on the previously presented primary financial statements that were presented in the prior year financial statements.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report 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.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Key judgements

Included in the non-current trade and other receivables of the parent entity are loans to the subsidiary entities. At each balance date, the directors review these loans for impairment against the available net assets of each subsidiary. A provision for impairment is recognised in the parent entity's financial statements, to the extent that a parent entity loan exceeds a subsidiary's net assets.

Deferred tax assets include amounts related to unused tax losses. At each balance date, the directors review the likelihood that the Consolidated group will 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 4.

NOTE 2 - REVENUE

		Consolidated group 2010 $	2009 $
Sales revenue - goods	2(a)	2,997,022	4,063,136
Sales revenue - services		1,852,926	2,059,407
Other revenue			
Interest received / receivable		203,418	289,003
		5,053,366	6,411,546

2(a) 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.

NOTE 3 - PROFIT FOR THE YEAR

	Profit for the year includes the following specific items:	Consolidated group 2010 $	2009 $
3(a)	Net gains		
	Interest revenue	203,418	289,003
	Net foreign exchange	55,991	182,247
	Bad debt recovery	-	310
3(b)	Expenses		
	Rent and associated operating leases	192,143	153,621
	Research and development expenses	810,516	648,658
	Impairment provision - financial assets	(42,350)	57,673
	Superannuation expenses - defined contribution plans	557,696	643,660
	Provision for employee entitlements	156,303	69,925
3(c)	Depreciation and amortisation expense comprises		
	Amortisation of Intellectual property	58,644	59,880
	Depreciation - plant and equipment	47,605	50,080
		106,249	109,960

		Consolidated group 2010 $	2009 $
3(d)	Other expenses comprises		
	Licence fees	50,045	84,819
	Rent and associated operating leases	192,143	153,621
	Travel and accommodation	159,392	259,165
	Insurance	93,528	76,462
	External consultants and contract programmers	24,760	411,084
	Communications expense	60,998	44,698
	Audit and Accountancy	90,743	86,098
	Bad Debt (recovery)/expense	-	(310)
	Impairment provision - financial assets	(42,350)	57,673
	Loss on sale of property, plant and equipment	4,811	863
	Net foreign exchange	(55,991)	(182,247)
	Unrecoverable direct taxes	-	76,091
	Other expenses	326,901	237,706
		904,980	1,305,723

NOTE 4 - INCOME TAX EXPENSE

		Consolidated group 2010 $	2009 $
4(a)	Income tax attributable to operating profit comprises:		
	Current tax (recovery)/expense	(9,856)	4,025
	Deferred tax expense/(recovery)	328,850	(1,580,341)
		318,994	(1,576,316)
4(b)	The aggregate amount of income tax attributable to the financial period differs from the amount calculated on the operating profit . The differences are reconciled as follows:		
	Profit before income tax	652,129	1,837,995
	Income tax at 30% (2009 : 30%)	195,639	551,399
	Tax effect of amounts not deductible/(taxable) in calculating taxable income:		
	Non deductible depreciation and amortisation	5,625	14,421
	Other non deductible items	117,730	132,926
	Utilisation of tax losses	-	(604,308)
	Recognition of tax losses	-	12,302
		318,994	106,740
	Recognition of previously unrecognised deferred tax asset	-	(1,772,545)
	Recognition of previously unrecognised deferred tax liability	-	109,886
	Effect of differing rates of tax on overseas income	-	(20,397)
	Income tax expense	318,994	(1,576,316)
4(c)	The directors estimate that the unused tax losses not brought to account is:	4,474,120	4,863,956

The benefit of tax losses will only be obtained if:

(i) the Consolidated group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
(ii) the losses are transferred to an eligible entity in the Consolidated group, and
(iii) the Consolidated group continues to comply with the conditions for deductibility imposed by tax legislation, and
(iv) no changes in tax legislation adversely affect the Consolidated group in realising the benefit from the deductions for the losses.

4(d) Tax expense/(benefit) on items of other comprehensive income are as follows:

	Consolidated group 2010 $	2009 $
Timing differences on unrealised foreign exchange gains/(losses)	(53,228)	(82,315)

NOTE 5 - DIVIDENDS

	Parent entity 2010 $	2009 $
Dividends paid		
Final fully franked ordinary dividend in respect of the financial year ended 30 June 2009 of Nil (2009 : 1.3) cents per share franked at the tax rate of 30% (2009 : 30%)	-	586,520
Final unfranked ordinary dividend in respect of the financial year ended 30 June 2009 of 2.25 (2009 : 0.7) cents per share.	1,030,206	315,819
Interim unfranked ordinary dividend in respect of the financial year ended 30 June 2010 of 2.0 (2009 : 2.0) cents per share.	944,197	914,839
	1,974,403	1,817,178
Dividends proposed		
Proposed final unfranked ordinary dividend of 0.50 (2009 : 2.25) cents per share and not recognised as a liability	236,049	1,030,206
	236,049	1,030,206

Franking account balance

The year end franking account balance is Nil (2009: Nil).

NOTE 6 - CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated group 2010 $	2009 $
Cash at bank and on hand	2,879,770	2,404,227
Short term deposits	1,569,800	3,000,000
	4,449,570	5,404,227

NOTE 7 - CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2010 $	2009 $
Trade receivables	310,677	331,111
Less: Provision for impairment	-	(42,350)
Accrued revenue	263,637	1,386,114
Less: Provision for impairment	-	(15,323)
	574,314	1,659,552
Other receivables	74,498	93,828
	648,812	1,753,380

	Consolidated group 2010 $	Consolidated group 2009 $

NOTE 8 - CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 $	2009 $
Held for Trading Financial Assets		
Shares in other corporations at fair value - US listed equity	1	1

Changes in the fair value of these assets are recorded in the statement of comprehensive income as other income or other expense.

	Consolidated group 2010 $	Consolidated group 2009 $

NOTE 9 - CURRENT ASSETS - WORK IN PROGRESS

	2010 $	2009 $
Work in Progress	41,684	97,809

NOTE 10 - CURRENT ASSETS - CURRENT TAX ASSETS

	2010 $	2009 $
Refundable tax payments	699	765

NOTE 11 - CURRENT ASSETS - OTHER CURRENT ASSETS

	2010 $	2009 $
Prepayments	54,040	48,567

NOTE 12 - NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2010 $	2009 $
Bonds and security deposits	24	24
Other	1,525	1,602
Total non-current assets - trade and other receivables	1,549	1,626

NOTE 13 - NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	Consolidated group 2009				
	Opening balance	Initial recognition	Credit/ (charge) to income	Net credit/ (charge) to income	Closing balance
	$	$	$	$	$
Deferred tax asset					
Plant, property and equipment					
- tax allowance	-	12,052	(4,787)	7,265	7,265
Taxation losses	-	2,040,971	(604,308)	1,436,663	1,436,663
Employee benefits	-	150,787	19,337	170,124	170,124
Doubtful debts	-	-	12,705	12,705	12,705
s40-880 deduction	-	3,964	(1,328)	2,636	2,636
Accrued expenses	-	16,367	4,368	20,735	20,735
Unrealised foreign exchange losses	-	312,950	(190,536)	122,414	122,414
Balance at 30 June 2009	**-**	**2,537,091**	**(764,549)**	**1,772,542**	**1,772,542**

NOTE 13 - NON-CURRENT ASSETS - DEFERRED TAX ASSETS (continued)

	Consolidated group 2010			
	Opening balance	Recognised upon acquisition	Credit/ (charge) to income	Closing balance
Deferred tax asset	**$**	**$**	**$**	**$**
Plant, property and equipment				
- tax allowance	7,265	-	(375)	6,890
Taxation losses	1,436,663	-	(278,259)	1,158,404
Employee benefits	170,124	58,415	(14,919)	213,620
Doubtful debts	12,705	-	(12,705)	-
s40-880 deduction	2,636	-	(1,318)	1,318
Accrued expenses	20,735	-	(6,492)	14,243
Unrealised foreign exchange losses	122,414	-	29,237	151,651
Balance at 30 June 2010	**1,772,542**	**58,415**	**(284,831)**	**1,546,126**

NOTE 14 - NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated group	
	2010	2009
	$	$
Furniture and Fittings		
Furniture and fittings - at cost	237,731	238,459
Less: accumulated depreciation	(211,188)	(221,145)
Total furniture and fittings	26,543	17,314
Plant and Equipment		
Plant and equipment - at cost	650,179	512,886
Less: accumulated depreciation	(573,541)	(418,473)
Total plant and equipment	76,638	94,413
Total Property, Plant & Equipment	103,181	111,727

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Fixtures & Fittings	Plant & Equipment	Total
	$	$	$
Consolidated group			
Carrying amount at the beginning of the year	17,314	94,413	111,727
Additions	5,305	11,818	17,123
Additions through acquisition of entity	11,976	14,771	26,747
Disposals	(2,840)	(1,971)	(4,811)
Depreciation expense	(5,212)	(42,393)	(47,605)
Carrying amount at the end of the year	26,543	76,638	103,181

NOTE 15 - NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Consolidated group 2010 $	2009 $
Intellectual property		
Intellectual Property acquired - at cost	644,132	419,132
Less: accumulated amortisation	(437,882)	(379,238)
Net carrying value	206,250	39,894
Goodwill		
Goodwill - at cost	1,020,000	-
Less: accumulated impairment losses	-	-
Net carrying value	1,020,000	-
Total intangibles	1,226,250	39,894

Reconciliations of the carrying amounts of intangible assets at the beginning and end of the current financial year are set out below:

	Intellectual Property $	Goodwill $	Total $
Consolidated group			
Carrying amount at the beginning of the year	39,894	-	39,894
Acquisitions through business combinations	225,000	1,020,000	1,245,000
Amortisation Expense	(58,644)	-	(58,644)
Carrying amount at the end of the year	206,250	1,020,000	1,226,250

The carrying value of Intellectual property relates to copyright in Promadis Pty Ltd's Forensic Science LIMS and Cardiology products. These products have a remaining amortisation period of 6½ years.

NOTE 16 - CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated group 2010 $	2009 $
Trade payables	66,987	37,509
Accruals	106,182	744,869
Other payables	71,161	45,768
	244,330	828,146

NOTE 17 - CURRENT LIABILITIES - CURRENT TAX LIABILITIES

Income tax payable	9,029	4,025

NOTE 18 - CURRENT LIABILITIES - OTHER CURRENT LIABILITIES

Unearned income	385,955	393,266

NOTE 19 - NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	Consolidated group 2009				
	Opening balance $	Initial recognition $	Credit/ (charge) to income $	Net credit/ (charge) to income $	Closing balance $
Deferred tax liability					
Work in progress	-	(80,362)	(28,266)	(108,628)	(108,628)
Prepayments	-	(276)	(811)	(1,087)	(1,087)
Other current assets	-	(5,723)	5,552	(171)	(171)
Balance at 30 June 2009	**-**	**(86,361)**	**(23,525)**	**(109,886)**	**(109,886)**

	Consolidated group 2010		
	Opening balance $	Net credit/ (charge) to income $	Closing balance $
Deferred tax liability			
Work in progress	(108,628)	21,014	(87,614)
Prepayments	(1,087)	(3)	(1,090)
Other current assets	(171)	131	(40)
Unrealised foreign currency gains	-	(8,716)	(8,716)
Balance at 30 June 2010	**(109,886)**	**12,426**	**(97,460)**

NOTE 20 - OTHER NON-CURRENT LIABILITIES

Employee benefits

A provision has been recognised for employee entitlements relating to unused annual leave and long service leave, measured in accordance with Note 1(h).

	Consolidated group
	Employee benefits $
Opening carrying value at 1 July 2009	575,988
Net additional provisions	156,303
Closing carrying value at 30 June 2010	732,291

	Consolidated group	
	2010 $	2009 $
Analysis of total provisions:		
Current	725,194	528,501
Non-current	7,097	47,487
	732,291	575,988

Based on past experience, the Consolidated group does not expect the full balance of the current employee benefit provision to be expended within 12 months. However, as the Consolidated group does not have an unconditional right of deferral, the balance is presented as current.

NOTE 21 - ISSUED CAPITAL

	Parent Entity 2010 Number	Parent Entity 2009 Number	Parent Entity 2010 $	Parent Entity 2009 $
Authorised				
Ordinary Shares of $0.01	500,000,000	500,000,000		
Paid up Capital				
Ordinary shares fully paid	47,209,784	45,786,955	16,481,464	15,612,800
Movements in paid up capital				
Opening balance at 1 July 2009	45,786,955		15,612,800	
Issue of shares in respect of consideration for business acquisitions - See note 22 for details	900,000		585,000	
Issue of shares on exercise of share options - see note 27 for details	70,000		25,550	
Issue of shares in respect of director remuneration - see note 25 for details	452,829		258,114	
Closing balance at 30 June 2010	47,209,784		16,481,464	

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Information relating to the company's employee share option scheme is set out in note 27(ii).

Information relating to directors' share options is set out in note 25.

Capital management

The Consolidated group's capital comprises ordinary share capital. Management controls capital to fund its operations, remain as a going concern and provide adequate returns to shareholders. There are no externally imposed capital requirements.

Capital management requirements are assessed by reference to the Consolidated group's financial and operating risks and adjusting its capital structure in response to changes in those risks, whilst considering the cost of capital. Responses consist of changes to shareholder distributions. Management's strategy is to fund the Consolidated group's requirements solely through equity, and this strategy remains unchanged during the year.

NOTE 22 - CONTROLLED ENTITIES

(a) Controlled Entities

Name of Entity	Country of Incorporation	Equity Holding 2010 %	Equity Holding 2009 %	Book Value of Shares Held 2010 $	Book Value of Shares Held 2009 $
Directly controlled by Prophecy International Holdings Ltd:					
Promadis Pty Ltd *	Australia	100	-	1,284,724	-
Prophecy International Pty Ltd as trustee for	Australia	100	100	20	20
CSP Unit Trust		100	100	351,080	351,080
Prophecy R & D Pty Ltd	Australia	100	100	1,500,001	1,500,001
Less: provision for impairment				(1,500,001)	(1,500,001)
				1,635,824	351,100
Directly controlled by Prophecy International Pty Ltd:					
Prophecy Americas' Inc	United States	93.1	93.1	44,692	44,692
Prophecy Europe Limited	United Kingdom	100	100	71	71
Prophecy Asia Pacific Malaysia (M) (SDN BHD)	Malaysia	-	100	-	2
				44,763	44,765

All shares owned in controlled entities are Ordinary shares.

* Acquired on 1 January 2010

NOTE 22 - CONTROLLED ENTITIES (continued)

(b) Acquisition

On 1 January 2010, the Prophecy International Holdings Limited purchased 100% of the share capital of Promadis Pty Ltd, a developer of software products with solutions for the Births, Deaths and Marriages; Forensic Science LIMS; Cardiology and Business Management System markets, to diversify Prophecy's product offering.

The fair value of consideration transferred at acquisition date is:

	$
Cash *	599,723
900,000 Prophecy International Holdings Ltd Ordinary shares **	585,000
Contingent consideration ***	100,000
Fair value of consideration	1,284,723

* Net cash paid to acquire subsidiary is $516,807 after taking account of subsidiary cash held at date of acquisition.

** The fair value of the ordinary shares issued was determined by reference to the weighted average closing market price of the Company's ordinary shares on the 10 days prior to 11 January 2010, being the completion date of the Promadis acquisition.

*** The contingent consideration consists of an earn out agreement which provides that further consideration will be payable if certain profit before tax targets are achieved by Promadis Pty Ltd for the calendar years 2010, 2011 and 2012. The amount payable is 50% of the profit before tax that exceeds the relevant target and is to be settled 50% in cash and 50% in Prophecy International Holdings Limited ordinary shares. 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. Payments are due on each 28 February following the end of the relevant calendar year. It is assumed that the target for 2010 will not be met and the targets for 2011 and 2012 will be exceeded by $100,000 in each of those years.

The fair value of assets and liabilities assumed is:

	Acquiree's carrying amount $	Fair value $
Cash and cash equivalents	82,916	82,916
Trade and other receivables	164,927	162,927
Deferred tax asset	-	58,414
Property, Plant and Equipment	14,772	14,772
Furniture and fittings	11,976	11,976
Intangible assets - Software developed	-	225,000
Trade and other payables	(87,107)	(87,107)
Current tax payable	(9,460)	(9,460)
Provisions	-	(194,715)
Identifiable assets acquired and liabilities assumed	178,024	264,723
Goodwill		1,020,000

The goodwill is attributable to the potential future growth of Promadis Pty Ltd with the additional resources available to it as part of the Group. No part of the goodwill will be deductible for tax purposes.

Acquisition costs representing professional fees, stamp duty and share issue fees of $45,812 have been recognised within "other expenses".

Revenue of Promadis Pty Ltd included in the consolidated revenue of the Group since the acquisition date on 1 January 2010 amounted to $867,476
Profit before income tax of Promadis Pty Ltd included in the consolidated profit before income tax of the Group since the acquisition date on 1 January 2010 amounted to $74,998

Had the results of Promadis Pty Ltd been consolidated from 1 July 2009, revenue of the Consolidated group would have been $5,679,864 and consolidated profit before income tax would have been $715,456 for the year ended 30 June 2010.

Other current liabilities

Contingent consideration
A non-current liability has been recognised for the potential liability in respect of the contingent consideration included in the Promadis Pty Ltd acquisition as follows:

	Consolidated group	
	2010 **$**	**2009** **$**
Contingent consideration	100,000	-

NOTE 22 - CONTROLLED ENTITIES (continued)

(c) Disposal

The following entities were dissolved during the period:

Name of Entity	Country of Incorporation	Date of dissolution
Prophecy Asia Pacific Malaysia (M) (SDN BHD)	Malaysia	27 July 2009

NOTE 23 - FINANCIAL INSTRUMENTS

(a) Categorisation of financial instruments
The Group's financial instruments consist mainly of bank deposits and accounts receivable and payable.

The totals of each category of financial instrument, measured in accordance with AASB 139 Financial Instrunents: Recognition and Measurement and the Group's accounting policies, detailed in Note 1(i), are as follows:

	Floating Interest Rate		Non Interest Bearing		Total	
	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$
Financial Assets						
Loans and other receivables						
Cash and cash equivalents	4,449,570	5,404,227	-	-	4,449,570	5,404,227
Trade and other receivables	-	-	650,361	1,755,006	650,361	1,755,006
Held for trading						
Financial assets at fair value through profit or loss	-	-	1	1	1	1
Total Financial Assets	4,449,570	5,404,227	650,362	1,755,007	5,099,932	7,159,234
Weighted Average interest rate	4.2%	5.8%	-	-		
Financial Liabilities						
Financial liabilities at amortised cost						
Trade and other payables	-	-	244,330	828,146	244,330	828,146
Other non-current liabilities	-	-	100,000	-	100,000	-
Total Financial Liabilities	-	-	344,330	828,146	344,330	828,146

Trade and other payables have an expected maturity of less than one year.
The other non-current liability is expected to be settled in equal amounts in the 2011 and 2012 financial years.

Total Net Financial Assets	4,449,570	5,404,227	306,032	926,861	4,755,602	6,331,088

NOTE 23 - FINANCIAL INSTRUMENTS (continued)

Reconciliation of Net Financial Assets to Net Assets	Consolidated group 2010 $	2009 $
Net financial assets (as above)	4,755,602	6,331,088
Non-financial assets and liabilities		
Work in progress	41,684	97,809
Tax assets	1,546,825	1,773,307
Other current assets	54,040	48,567
Property, plant and equipment	103,181	111,727
Intangible assets	1,226,250	39,894
Tax Liabilities	(106,489)	(113,911)
Provisions	(732,291)	(575,988)
Other liabilities	(385,955)	(393,266)
Net assets per statement of financial position	6,502,847	7,319,227

Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Consolidated group approximate their carrying value.
The net fair value of other monetary financial assets and financial liabilities is based on discounting future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The balances are not materially different from those disclosed in the balance sheet of the Consolidated group.

(b) Financial risk management policies
The Board is responsible for managing and monitoring financial risk exposures of the Group.
The Board's overall strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance.
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 and foreign exchange risk.

(c) Credit Risk

Credit Risk for financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The Consolidated group's maximum credit risk exposure is the carrying value of those financial instruments.

The Consolidated 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.

Financial assets that are past due but not impaired are aged as follows:

	Consolidated group 2010 $	2009 $
Trade and other receivables		
Not overdue	493,553	1,648,025
Overdue by less than 30 days	134,731	47,883
Overdue by less than 60 days	20,594	-
Overdue by less than 90 days	191	-
Overdue by more than 90 days	1,292	59,098
	650,361	1,755,006

Financial assets that are past due and impaired are as follows:

	2010	2009
Trade and other receivables	-	57,673

Movement in the provision for impairment of receivables is as follows:

Trade and other receivables	Consolidated group 2010 $	2009 $
Opening balance at 1 July	57,673	-
Charge for the year	-	57,673
Amounts written off	(15,323)	-
Reversals	(42,350)	-
Closing balance at 30 June	-	57,673

NOTE 23 - FINANCIAL INSTRUMENTS (continued)

The Consolidated 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.

(d) Liquidity Risk
The current liquidity policy of the Consolidated group is to hold only current creditor debt; no bank overdraft facilities and a significant cash balance to offset any unexpected down turn in a quarter's trade performance.
The 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.

(e) Market Risk

(i) Interest Rate Risk Exposures

The Consolidated group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Consolidated group intends to hold fixed rate assets and liabilities to maturity.

(ii) Foreign exchange rate risk management

Prophecy International Holdings Ltd and certain of its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

Forward Exchange Contracts

The Consolidated group derives a significant amount of its income from overseas. In order to protect against exchange rate movements the Consolidated group has, when appropriate, entered into forward exchange rate contracts to sell UK pounds, and US dollars.

There were no outstanding forward exchange contracts at 30 June 2010 or 30 June 2009.

(f) Sensitivity Analysis

The Consolidated group has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at the balance date.
This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest rate sensitivity analysis
At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2010 $	2009 $
Change in profit		
- Increase interest rate by 1%	44,496	54,042
- Decrease interest rate by 1%	(44,496)	(54,042)
Change in equity		
- Increase interest rate by 1%	44,496	54,042
- Decrease interest rate by 1%	(44,496)	(54,042)

NOTE 23 - FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis

At 30 June 2010, the effect on profit and equity as a result of changes in foreign currency exchange rates, with all other variables remaining constant would be as follows:

	2010 $	2009 $
Change in profit		
- AUD strengthens against USD by 10% (2009:10%)	(10,891)	(19,090)
- AUD weakens against USD by 10% (2009: 10%)	13,311	23,332
- AUD strengthens against GBP by 10% (2009:10%)	(36)	(69)
- AUD weakens against GBP by 10% (2009: 10%)	81	153
Change in equity		
- AUD strengthens against USD by 10% (2009:10%)	(24,295)	(15,373)
- AUD weakens against USD by 10% (2009: 10%)	29,693	18,789
- AUD strengthens against GBP by 10% (2009: 10%)	(31,259)	(104,573)
- AUD weakens against GBP by 10% (2009: 10%)	38,243	127,880

(g) Items of Income, Expense, Gains or Losses on Financial Instruments

	2010 $	2009 $
Income and Gains		
Loans and other receivables		
Interest revenue	203,418	289,003
Foreign exchange gains	55,991	182,247
Impairment expense recovery - financial assets	42,350	-
Bad debt recovery	-	310
	301,759	471,560
Expenses and Losses		
Loans and other receivables		
Impairment expense - financial assets	-	57,673

NOTE 24 - RECEIVABLES AND PAYABLES DENOMINATED IN FOREIGN CURRENCIES

	Consolidated group 2010 $	2009 $
Amounts subject to exchange rate movements		
Receivables		
Current		
- United States Dollars	73,569	71,796
- United Kingdom Pounds	32,811	65,135
Payables		
Current		
- United States Dollars	22,022	76,346
- United Kingdom Pounds	7,019	9,889
- Malaysian Ringgit	-	9,000

NOTE 25 - KEY MANAGEMENT PERSONNEL DISCLOSURES

The following directors and executives were key management personnel of the Consolidated group during the financial year.

Directors
The following persons were directors of Prophecy International Holdings Ltd during the financial year:

Non-executive chairman
E Reynolds

Directors
L R Challans (Managing director)
A P Weber

All of the persons listed above were directors for the whole of the financial year and as at the date of this report except as stated above.

Executives (other than directors) with the greatest authority for strategic direction and management
The following persons were the executives with the greatest authority for the strategic direction and management of the Consolidated group during the financial year ended 30 June 2010:

Name	Position	Employer
D Shaw (from 1 January 2010)	CEO Promadis	Promadis Pty Ltd
P Barzen	EVP Sales and Alliances	Prophecy Americas Inc.

The persons listed above were members of key management personnel for the whole of the 2010 financial year, except as otherwise stated.

The following persons were the executives with the greatest authority for the strategic direction and management of the Consolidated group during the financial year ended 30 June 2009:

Name	Position	Employer
P Barzen	EVP Sales and Alliances	Prophecy Americas Inc.

All of the persons listed above were key management personnel for the whole of the 2009 financial year.

Remuneration of directors and executives
The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures, through delegation to the remuneration committee, that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board ensures that all directors' fees and payments are appropriate and in line with the market. Non-executive directors have also received company performance related share options to align their rewards with increases in shareholder wealth.

NOTE 25 - KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

Details of remuneration

Details of the remuneration of each director of Prophecy International Holdings Limited and each of the other key management personnel of the Consolidated group, including their personally related entities, are set out below:

	Short term benefits					Share based payments	Post employment benefits	
2010	Directors fees	Consulting fees	Base remuneration	Incentives	Other cash benefits		Superannuation	Total
	$	$	$	$	$	$	$	$
E Reynolds	30,000	52,266	-	-	-	86,038	2,700	171,004
L R Challans	-	-	160,000	25,000	-	86,038	16,650	287,688
A P Weber	40,000	59,272	-	-	-	86,038	8,934	194,244
D Shaw	-	-	71,000	-	15,000	-	6,390	92,390
P Barzen	-	-	118,420	17,440	21,115	-	41,623	198,598
	70,000	111,538	349,420	42,440	36,115	258,114	76,297	943,924

Share based payments consist of shares and share options granted as remuneration. The shares were issued at a share price of $0.57 (2009 : $0.31) for no consideration, pursuant to a shareholder resolution at the Annual General Meeting held on 13 November 2009. Details of the share options issued can be found in the section headed "options" below.

The fair value of the shares granted as remuneration is:

	2010		2009		2010		2009	
	Number of ordinary shares	Fair value $	Number of ordinary shares	Fair value $	Number of ordinary share options	Fair value $	Number of ordinary share options	Fair value $
E Reynolds	150,943*	86,038	180,000**	55,800	-	-	(500,000)**	(58,000)
L R Challans	150,943*	86,038	180,000**	55,800	-	-	(500,000)**	(58,000)
A P Weber	150,943*	86,038	180,000**	55,800	-	-	(500,000)**	(58,000)
	452,829	258,114	540,000	167,400	-	-	(1,500,000)	(174,000)

* At the 13th November 2009 AGM, shareholders approved the issue of 452,829 shares to directors for their achievement of the $1.75 million pre tax profit target for the 2008/09 financial year. The number of shares issued was determined by dividing $240,000 by the closing price of the Company's shares on 30 June 2009. The fair value of the shares was determined by reference to the closing price of the Company's shares on 14 September 2009, being the date that all terms and conditions of the share issue were prepared for inclusion in the Company's Annual General Meeting Notice.

** At the 16 December 2008 Extraordinary General Meeting, Directors were granted 540,000 shares, in lieu of 1,500,000 share options approved at the 30th November 2007 AGM; and subsequently cancelled, for their achievement of the $1.5 million profit before tax target for the 2007/08 financial year. The shares issued were valued at $0.31 cents each, being the market price of the Company's ordinary shares quoted on the ASX at close of business on 21 October 2008.

Cash settled incentives for L R Challans relate to payments on the achievement of consolidated group profits at the half year and full year in respect of the 2008/09 financial year. The purpose of the incentive is to increase the profitability of the group and so improve shareholder wealth.

L R Challans is also entitled to long service leave in accordance with applicable legislation. The long service leave expense charged to the profit and loss account for the financial year was $4,526.

Incentives for P Barzen relate to commission payments on licence fee revenue from sales of products to customers, in accordance with an incentive plan approved on 15 February 2007. The purpose of the incentive is to increase licence fee revenues and so improve shareholder wealth.

The remuneration detailed above includes consultancy fees of $52,266 (2009: $48,441) and directors fees of $ (2009: $) paid to Reyer Investments Pty Limited, a company in which E Reynolds is a director and shareholder. The transactions were at arms length.

At the balance date $4,865 (2009:$3,974) was due to Reyer Investments Pty Limited in respect of consultancy fees.

For all key management personnel, incentives are the only form of cash settled remuneration that is performance based.

Details of the share options issued can be found in the section headed "options" below.

	Short term benefits					Share based payments	Post employment benefits	
2009	Directors fees	Consulting fees	Base Remuneration	Incentives	Other cash benefits		Superannuation	Total
	$	$	$	$	$	$	$	$
E Reynolds	25,000	48,441	-	-	-	55,800	2,250	131,491
A P Weber	27,500	63,116	-	-	-	55,800	8,155	154,571
L R Challans	-	-	150,875	-	-	55,800	15,829	222,504
P Barzen	-	-	158,826	84,139	25,277	-	23,740	291,982
	52,500	111,557	309,701	84,139	25,277	167,400	49,974	800,548

NOTE 25 - KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

Incentives for P Barzen relate to commission payments on Initial Licence Fee sales of basis2 products to new customers, in accordance with an incentive plan approved on 15 February 2007. The purpose of the incentive is to increase sales of basis2 and so improve shareholder wealth.

For all key management personnel, incentives are the only form of cash settled remuneration that is performance based.
L R Challans is also entitled to long service leave in accordance with applicable legislation. The long service leave expense charged to the profit and loss account for the financial year was $10,514.

Shareholdings

The number of shares in the company held during the year by the key management personnel of Prophecy International Holdings Limited and the Consolidated group, including their personally related entities are set out below:

	Balance at 1 July 2008	Acquisitions	Granted as remuneration	Received on exercise of share options	Disposals	Balance at 30 June 2009
E Reynolds	6,600,000	661,000	180,000	-	-	7,441,000
L R Challans	443,937	-	180,000	-	-	623,937
A P Weber	700,000		180,000		(99,963)	780,037
D Shaw	-	-	-	-	-	-
P Barzen	536,203	-	-	-	-	536,203
	8,280,140	661,000	540,000	-	(99,963)	9,381,177

	Balance at 1 July 2009	Acquisitions	Granted as remuneration	Received on exercise of share options	Disposals	Balance at 30 June 2010
E Reynolds	7,441,000	218,057	150,943	-	-	7,810,000
L R Challans	623,937	-	150,943	-	-	774,880
A P Weber	780,037	-	150,943	-	(175,037)	755,943
D Shaw	-	240,000	-	-	-	240,000
P Barzen	536,203	-	-	-	-	536,203
	9,381,177	458,057	452,829	-	(175,037)	10,117,026

Options

The number of share options in the company held during the year by the key management personnel of Prophecy International Holdings Limited and the Consolidated group, including their personally related entities are set out below:

	Balance at 1 July 2008	Granted as remuneration	Exercised	Cancelled	Lapsed	Balance at 30 June 2009	Exercisable 30 June 2009
E Reynolds	-	-	-	-	-	-	-
L R Challans	-	-	-	-	-	-	-
A P Weber	-	-	-	-	-	-	-
D Shaw	-	-	-	-	-	-	-
P Barzen	80,000	-	-	-	-	80,000	80,000
	80,000	-	-	-	-	80,000	80,000

	Balance at 1 July 2009	Granted as remuneration	Exercised	Cancelled	Lapsed	Balance at 30 June 2010	Exercisable at 30 June 2010
E Reynolds	-	-	-	-	-	-	-
L R Challans	-	-	-	-	-	-	-
A P Weber	-	-	-	-	-	-	-
D Shaw	-	-	-	-	-	-	-
P Barzen	80,000	-	-	-	-	80,000	80,000
	80,000	-	-	-	-	80,000	80,000

The options held by P Barzen were issued pursuant to the Prophecy International Holdings Ltd Employee Share Option Plan, details of which may be found in Note 27.

NOTE 26 - AUDITORS REMUNERATION

	Consolidated group 2010 $	2009 $
Remuneration for auditors of the parent entity for:		
- Audit or review of the financial reports of the parent entity and subsidiary entities	42,000	40,750
- Taxation services	9,200	15,595
- Accounting services	6,675	8,929
	57,875	65,274
Remuneration for other auditors of subsidiary entities for:		
- Audit or review of the financial reports of subsidiary entities	9,347	11,685
- Taxation services	7,114	7,240
- Payroll services	1,407	1,398
- Company secretarial services	-	501
	17,868	20,824

NOTE 27 - EMPLOYEE BENEFITS

(i) Employee benefit and related on-cost liabilities	Consolidated group 2010 $	2009 $
Included in other creditors and accruals (see note 16)	35,367	366,514
Provision for employee benefits - Current (see note 20)	725,194	528,501
Provision for employee benefits - Non Current (see note 20)	7,097	47,487
	767,658	942,502

(ii) Prophecy International Holdings Ltd Employee Share Option Plan

On 30 September 1997 the company established an employee share option scheme. All employees of the Consolidated group are eligible to participate in the plan after a qualifying period of 12 months employment, unless the Board decides otherwise.

The allocation of options is at the discretion of the board and when aggregated the issues to Australian employees during the previous five years pursuant to the plan must not exceed 5% of the company's issued share capital.

At 30 June 2010 the options outstanding under the employee option plan were:

Grant date	Balance at 30 June 2009	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 30 June 2010	Conversion dates from	Conversion dates before	Exercise price	Exercisable at 30 June 2010
29-Nov-07	755,000	(70,000)	-	-	685,000	29-Nov-08	29-Nov-12	$0.365	685,000
	755,000	(70,000)	-	-	685,000				685,000

There were 70,000 options exercised during the year with a weighted average share price of $0.55 per share at exercise date. Share options were exercised throughout the financial year. The weighted average share price during this period was $0.57.

NOTE 28 - NON CONTROLLING INTERESTS IN CONTROLLED ENTITIES

	Consolidated group 2010 $	2009 $
Interest in:		
Share capital	120	120
Reserves	-	-
Retained profits	-	-
	120	120

NOTE 29 - RESERVES

Exchange Fluctuation Reserve
The Exchange Fluctuation Reserve records exchange differences arising on translation of the net investment in foreign subsidiaries.

Share Option Reserve
The Share Option Reserve records items recognised as expenses on the issue of employee share options.

NOTE 30 - RELATED PARTIES

Directors
Transactions with key management personnel are set out in note 25.

Wholly Owned Group
The wholly owned group consists of those entities listed in Note 22.

Transactions with related parties
All transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Those related party transactions not disclosed elsewhere in this financial report are shown below.
Transactions between Prophecy International Holdings Ltd and other entities in the group consist of receipt of profit distributions from CSP Unit Trust and distribution of working capital.
During the financial year, Prophecy International Holdings Ltd received cash of $2,600,000 from Prophecy International Pty Ltd by way of loan repayments.
During the financial year, Prophecy International Holdings Ltd distributed $122,148 to other group companies.

During the financial year, Prophecy International Pty Ltd received $740,000 from Prophecy Americas Inc by way of loan repayments.

During the financial year, Prophecy International Pty Ltd received $189,646 from Prophecy Europe Limited by way of loan repayments.

Transactions between Prophecy International Pty Ltd and other entities in the group consist of receipt of fees in respect of software sublicences granted to third parties by those group entities; fees for professional services including sales, management and administration, and distribution of working capital.

The following fees were received by Prophecy International Pty Ltd from group entities during the financial year:

Entity	2010 $	2009 $
Prophecy Americas' Inc	860,366	1,502,614
Prophecy Europe Limited	345,758	1,029,912

During the year, Prophecy R&D Pty Ltd received fees of $145,747 (2009: $146,181) from Prophecy International Pty Ltd in relation to the sale of software licences in respect of the e-foundation suite of products to third parties by Prophecy International Pty Ltd and other group entities.

Prophecy International Pty Ltd received fees of $44,000 (2009: $44,000) in respect of board, finance and administration services provided to Prophecy Europe Limited.

Prophecy International Pty Ltd received fees of $102,000 (2009: $135,000) in respect of board, finance and administration services provided to Prophecy Americas' Inc.

Prophecy Americas Inc. received fees of $271,932 (2009: $202,989) in respect of sales assistance services provided to other entities in the group.

Prophecy Asia Pacific Malaysia (M) (SDN BHD) paid a dividend of $2,228 (2009: $Nil) to Prophecy International Pty Ltd.

Outstanding balances as at 30 June 2010 between group entities are shown below:

	2010 $	2009 $
Prophecy International Holdings Limited	14,589,788	16,883,675
Prophecy International Pty Limited	(7,140,052)	(8,281,581) *
Prophecy R & D Pty Ltd	(3,577,793)	(3,723,540)
Prophecy Americas' Inc	(4,443,788)	(4,759,850) *
Prophecy Europe Limited	571,846	(118,704)

* The balance due from Prophecy International Pty Ltd for 2009 has been restated from $11,978,894 and the balance due from Prophecy Americas' Inc. has been restated from $1,062,537 as a result of a long term loan of US$3,000,000 being misclassified in the 2009 financial statements. There is no effect on the financial position, cash flows or result for the year ended 30 June 2009 or future years as a result of this restatement.

Prophecy International Holdings Limited carries a provision of $10,355,592 against inter-company receivable balances.
Interest is charged on all loans to group entities.
During the year ended 2010 interest was charged by Prophecy International Pty Ltd at a rate of 5.75% as follows:

	2010 $	2009 $
Prophecy Europe Limited	1,806	3,441
Prophecy Americas Inc.	68,405	88,981

In addition, Prophecy Europe Limited charged Prophecy International Pty Ltd interest at a rate of 3.65%, amounting to $14,814 (2009: $9,534).

All transactions between group companies are eliminated in full on consolidation.

NOTE 31 - OPERATING SEGMENT INFORMATION

(a) Identification of segments

The Group has identified its operating segments on the basis of the reports used by the Board for assessing performance and allocating resources.
Since the group is managed predominantly by entity, operating segments have been similarly defined. All segments derive revenue from the sale of computer software and associated consulting and maintenance services.

(b) Basis of preparation of operating segment information

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standards *AASB 8 Operating Segments,* and *AASB 136 Impairment of assets* .

(i) Accounting policies adopted

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

(ii) Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are recognised at the consideration received/receivable.

(iii) Segment assets and liabilities

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment, net of related provisions. Impairment expense and reversals disclosed in Note 23 for the current and prior year were incurred in respect of the Prophecy International Pty Ltd segment.

Segment liabilities consist primarily of trade and other payables and employee benefit provisions.

(iv) Unallocated assets

The following assets have not been allocated to any operating segment as they are not considered part of the core operations of any segment:

- Current tax assets and liabilities
- Intangible assets
- Deferred tax assets and liabilities

(c) Comparative information

This is the first accounting period in which *AASB 8: Operating Segments* has been adopted and so comparative information has been restated in accordance with the Standard and the new operating segments identified.

NOTE 31 - OPERATING SEGMENT INFORMATION (continued)

(d) Segment performance

2010	Prophecy International Holdings Ltd	Prophecy International Pty Ltd	Prophecy R&D Pty Ltd	Promadis Pty Ltd	Prophecy Americas Inc	Prophecy Europe Limited	Total
	$	$	$	$	$	$	$
External sales	-	2,177,102	-	867,476	1,176,718	628,652	4,849,948
Intersegment sales	-	1,279,057	145,747	-	267,144	14,961	1,706,909
Other revenue	2,193	201,225	-	-	-	-	203,418
Total segment revenue	**2,193**	**3,657,384**	**145,747**	**867,476**	**1,443,862**	**643,613**	**6,760,275**
Reconciliation of segment revenue to group revenue							
Intersegment sales							(1,706,909)
Total group revenue							**5,053,366**
Segment profit/(loss) before tax	595,584	536,065	145,747	74,998	(35,272)	21,525	1,338,647
Reconciliation of segment profit/(loss) before tax to group profit/(loss) before tax							
Inter-segment items eliminated on consolidation							(665,992)
Unallocated amortisation expense							(18,750)
Prophecy Asia Pacific Malaysia (M) (SDN BHD)							(1,776)
Net profit before income tax							**652,129**

2009	Prophecy International Holdings Ltd	Prophecy International Pty Ltd	Prophecy R&D Pty Ltd	Promadis Pty Ltd	Prophecy Americas Inc	Prophecy Europe Limited	Total
	$	$	$	$	$	$	$
External sales	-	1,867,865	-	-	2,312,555	1,942,123	6,122,543
Intersegment sales	-	2,617,782	146,181	-	215,706	10,174	2,989,843
Other revenue	8,704	280,299	-	-	-	-	289,003
Total segment revenue	**8,704**	**4,765,946**	**146,181**	**-**	**2,528,261**	**1,952,297**	**9,401,389**
Reconciliation of segment revenue to group revenue							
Intersegment sales							(2,989,843)
Total group revenue							**6,411,546**
Segment profit/(loss) before tax	(42,853)	1,387,292	146,181	-	(69,474)	426,750	1,847,896
Reconciliation of segment profit/(loss) before tax to group profit/(loss) before tax							
Prophecy Asia Pacific Malaysia (M) (SDN BHD)							(9,901)
Net profit before income tax							**1,837,995**

NOTE 31 - OPERATING SEGMENT INFORMATION (continued)

(e) Segment assets

2010

	Prophecy International Holdings Ltd	Prophecy International Pty Ltd	Prophecy R&D Pty Ltd	Promadis Pty Ltd	Prophecy Americas Inc	Prophecy Europe Limited	Total
	$	$	$	$	$	$	$
Segment assets	**5,833,031**	**18,419,427**	**-**	**361,161**	**245,301**	**1,121,025**	**25,979,945**
Reconciliation of segment assets to group assets							
Inter-segment items eliminated on consolidation							(20,691,992)
Current tax assets							699
Deferred tax assets							1,546,126
Adjustment in respect of overseas income tax refund							10,884
Intangible assets							1,226,250
Total group assets							**8,071,912**

	Prophecy International Holdings Ltd	Prophecy International Pty Ltd	Prophecy R&D Pty Ltd	Promadis Pty Ltd	Prophecy Americas Inc	Prophecy Europe Limited	Total
	$	$	$	$	$	$	$
Segment asset increases for period:							
Capital expenditure	-	17,123	-	26,747	-	-	43,870
Acquisitions	1,284,723	-	-	-	-	-	1,284,723
Total asset increases	1,284,723	17,123	-	26,747	-	-	1,328,593

2009

	Prophecy International Holdings Ltd	Prophecy International Pty Ltd	Prophecy R&D Pty Ltd	Promadis Pty Ltd	Prophecy Americas Inc	Prophecy Europe Limited	Total
	$	$	$	$	$	$	$
Segment assets	**6,571,310**	**17,646,509**	**403,208**	**-**	**442,432**	**1,772,634**	**26,836,093**
Reconciliation of segment assets to group assets							
Inter-segment items eliminated on consolidation							(19,381,653)
Current tax assets							765
Deferred tax assets							1,772,542
Prophecy Asia Pacific Malaysia (M) (SDN BHD)							2,791
Total group assets							**9,230,538**

	Prophecy International Holdings Ltd	Prophecy International Pty Ltd	Prophecy R&D Pty Ltd	Promadis Pty Ltd	Prophecy Americas Inc	Prophecy Europe Limited	Total
	$	$	$	$	$	$	$
Segment asset increases for period:							
Capital expenditure	46,278	-	-	-	7,507	-	53,785

NOTE 31 - OPERATING SEGMENT INFORMATION (continued)

(f) Segment liabilities

2010

	Prophecy International Holdings Ltd	Prophecy International Pty Ltd	Prophecy R&D Pty Ltd	Promadis Pty Ltd	Prophecy Americas Inc	Prophecy Europe Limited	Total
	$	$	$	$	$	$	$
Segment liabilities	**109,331**	**30,061,805**	**3,577,793**	**303,652**	**4,900,134**	**41,525**	**38,994,240**
Reconciliation of segment liabilities to group liabilities							
Inter-segment eliminations							(37,534,775)
Current tax liabilities							9,029
Deferred tax liabilities							97,460
Adjustment in respect of overseas income tax							3,111
Total group liabilities							**1,569,065**

2009

	Prophecy International Holdings Ltd	Prophecy International Pty Ltd	Prophecy R&D Pty Ltd	Promadis Pty Ltd	Prophecy Americas Inc	Prophecy Europe Limited	Total
	$	$	$	$	$	$	$
Segment liabilities	**1,779,041**	**21,615,882**	**4,126,748**	**-**	**4,271,524**	**714,986**	**32,508,181**
Reconciliation of segment liabilities to group liabilities							
Inter-segment eliminations							(30,713,931)
Current tax liabilities							4,025
Deferred tax liabilities							109,886
Prophecy Asia Pacific Malaysia (M) (SDN BHD)							3,150
Total group liabilities							**1,911,311**

(f) Geographic information

	Consolidated group 2010	Consolidated group 2009
	$	$

Revenue by geographic region

Revenue attributable to external customers, based on the customer's location is set out below:

	2010	2009
Australia	2,968,159	1,961,614
United States of America	1,178,749	2,312,554
Middle East	124,817	1,102,773
Europe	518,796	849,524
Asia	262,845	185,081
Total Revenue	**5,053,366**	**6,411,546**

Assets by geographic region

An analysis of the geographic location of segment assets is set out below:

	2010	2009
Australia	7,419,175	7,696,039
United States of America	136,254	333,653
Europe	516,483	1,198,055
Asia	-	2,791
Total Assets	**8,071,912**	**9,230,538**

Major Customers

	Number of Customers	% of Revenue 2010	% of Revenue 2009
Australia	2	30%	16%
United States of America	1	17%	19%
Middle East	1	2%	17%

NOTE 32 - CASH FLOW INFORMATION

	Consolidated group 2010 $	2009 $
(a) Reconciliation of profit/(loss) after income tax to net cash outflow from operating activities		
Profit for the year	333,135	3,414,311
Depreciation and amortisation	106,249	109,960
Loss on disposal of property, plant and equipment	4,811	863
Foreign exchange loss/(gain)	22,675	(55,001)
Share based payments to directors and employees	258,114	41,074
Foreign exchange differences arising on translation of foreign subsidiaries recognised in reserves	(43,776)	65,722
Change in operating assets and liabilities		
Decrease/(Increase) in Trade and other receivables	1,162,318	(417,690)
Add: Trade and other receivables acquired as part of business combination	161,317	-
Decrease/(Increase) in Work in progress	56,125	(87,260)
Decrease/(Increase) in Tax assets	226,482	(1,770,751)
Add: Tax assets acquired as part of business combination	58,414	-
Increase in Other assets	(5,473)	(3,559)
Add: Other assets acquired as part of business combination	1,610	-
(Decrease)/Increase in Trade and other payables	(483,816)	456,950
Less: Trade and other payables acquired as part of business combination	(87,106)	-
Less: Business combination deferred consideration payable classified as investing activities	(100,000)	-
(Decrease)/Increase in Tax liabilities	(7,422)	62,692
Less: Tax liabilities acquired as part of business combination	(9,460)	-
Increase in Provisions	156,303	69,925
Less: Provisions acquired as part of business combination	(194,715)	-
Decrease in Other liabilities	(7,311)	(37,613)
	1,550,801	1,907,296

(b) Significant non-cash transactions
900,000 Ordinary shares were issued at $0.65 as part of the consideration for the purcahse of Promadis Pty Ltd. Further details of the acquisition can be found in note 22.

(c) Credit arrangements
Prophecy International Pty Ltd, a controlled entity, has credit card facilities as follows:

	2010	2009
Used	3,372	2,136
Available	6,628	7,864
	10,000	10,000

(d) Cash and cash equivalents subject to restrictions
Cash equivalents totalling $78,750 (2009: $78,750) is unavailable to the Consolidated group as it secures the consolidated group's credit card facility ($10,000) and property lease guarantees ($68,750).

NOTE 33 - COMMITMENTS

	Consolidated group 2010 $	2009 $
Commitments for minimum lease payments in relation to non-cancellable operating leases on premises are:		
No later than one year	159,927	149,761
Greater than one year but less than five years	14,509	127,425
	174,436	277,186

Prophecy International Pty Limited has entered into leases in respect of its Adelaide and Brisbane premises. The Adelaide lease terminates on 30 June 2011, with no renewal option.
The Brisbane premises are subject to a 12 month tenancy, terminating on 23 March 2011.
Prophecy Americas Inc. has entered into a 24 month tenancy, terminating on 31 May 2012.

NOTE 34 - EARNINGS PER SHARE

	Consolidated group 2010 $	Consolidated group 2009 $
Basic earnings per share (cents per share)	**0.7c**	**7.5c**
Weighted average number of ordinary shares outstanding during the year used to calculate basic EPS	46,525,437	45,447,462
Earnings used to calculate basic EPS	333,135	3,414,311
Diluted earnings per share (cents per share)	**0.7c**	**7.5c**
Weighted average number of ordinary shares outstanding during the year used to calculate diluted EPS	46,685,571	45,508,575
Earnings used to calculate diluted EPS	333,135	3,414,311

Reconciliation of weighted average number of ordinary shares used to calculate basic and diluted EPS

	2010	2009
Weighted average number of ordinary shares used to calculate basic EPS	46,525,437	45,447,462
Weighted average number of dilutive options outstanding during the year	160,134	61,113
Weighted average number of ordinary shares used to calculate diluted EPS	46,685,571	45,508,575

NOTE 35 - 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:

	Consolidated group 2010 $	Consolidated group 2009 $
Lease rentals	68,750	68,750

The lease rental guarantees match the term of the leases. Details of leases can be found in note 33. The guarantee is secured by a fixed charge over Prophecy International Pty Ltd's bank balances.

No material losses are anticipated in respect of any of these contingent liabilities.

In addition, Note 22 contains details of the potential contingent liability in respect of the earn out agreement forming part of the Promadis Pty Ltd acquisition consideration.

NOTE 36 - EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date that would require adjustment to the financial statements or further disclosure at the date this report was authorised for issue.

This financial report was authorised for issue on 16th September 2010 by the Board of Directors.

NOTE 37 - PARENT ENTITY INFORMATION

	Parent entity 2010 $	Parent entity 2009 $
Statement of financial position		
Total current assets	1,070,066	1,016,259
Total non current assets	5,702,372	6,270,507
Total assets	**6,772,438**	**7,286,766**
Total current liabilities	(109,331)	(9,041)
Total non current liabilities	(40)	(171)
Total liabilities	**(109,371)**	**(9,212)**
Share capital	16,481,464	15,612,800
Share option reserve	105,501	105,501
Accumulated losses	(9,923,898)	(8,440,747)
Total Equity	**6,663,067**	**7,277,554**
Statement of comprehensive income		
Profit for the year	491,252	3,438,360
Total comprehensive income	491,252	3,438,360

directors' declaration

For The Year Ended 30 June 2010

The directors declare that

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards; and
   (b) give a true and fair view of the financial position as at 30th June 2010 and of the performance for the financial year ended on that date of the consolidated group.

2. The Managing Director and Chief Financial Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 268 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 fall due and payable.

4. Complies with International Financial Reporting Standards as disclosed in Note 1.

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

Ed Reynolds
Chairman

Leanne Challans
Managing Director

Dated this 22nd day of September, 2010

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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report 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 and fair presentation of the 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 financial report that are 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. The directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 which 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.

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

Auditor's responsibility Cont
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 entity's preparation and fair presentation of the financial report 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 entity'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 2010 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 pages 10 to 13 of the directors' report for the year ended 30 June 2010. 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.

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

Auditor's opinion on the remuneration report
In our opinion, the Remuneration Report of Prophecy International Holdings Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

Yours faithfully
GRANT THORNTON
South Australian Partnership
Chartered Accountants

P S Paterson
Partner

Adelaide, 22 September 2010

The shareholders information set out below was applicable at 15th September 2010

Distribution of Equity Securities

a) Analysis of numbers of equity securities by size and holding

	Ordinary Shares	Options over Ordinary Shares
1 – 1,000	196	0
1,001 – 5,000	350	0
5,001 – 10,000	184	0
10,001 – 100,000	288	16
100,001 - Max	47	0
Total	**1065**	**16**

b) There were 249 holders of less than a marketable parcel of shares.

Issued Shares	Twenty Largest Shareholders	Numbers Held	% of Ordinary
1.	REYER INVESTMENTS PTY LTD (SUPER FUND A/C)	7,810,000	16.54%
2.	DUNMOORE PTY LTD	6,854,052	14.52%
3.	SMOOTHWARE PTY LTD	3,142,819	6.66%
4.	MARIA O'CONNOR + ASSOCIATES PTY LTD	2,229,784	4.72%
5.	NUBOUND PTY LTD	1,692,015	3.58%
6.	SILVERNINE PTY LTD	1,495,897	3.17%
7.	MR T P LEWIS	1,440,825	3.05%
8.	HOLDEN HOLDEN + ASSOCIATES PTY LTD	1,021,875	2.16%
9.	CHRISTINE HOLDEN SUPER FUND	917,875	1.94%
10.	MRS L R CHALLANS + MR S W CHALLANS	774,880	1.64%
11.	MR A P WEBER + MRS P A WEBER (THE APPA WEB S/FUND)	755,943	1.60%
12.	ANDAMAX INVESTMENTS PTY LTD C/- TAYLOR COLLISON LTD C/- C P BALL	650,000	1.38%
13.	PINEHURST NOMINEES PTY LTD	510,201	1.08%
14.	PYC INC	466,203	0.99%
15.	MR A W THYGESEN + MRS A F THYGESEN	455,000	0.96%
16.	FIVE TALENTS LIMITED – NEW ZEALAND	440,000	0.93%
17.	MR P J TATHEM + MRS T A TATHEM (TABRIGG SUPER FUND A/C)	415,000	0.88%
18.	MR G JOLLIFFE + MRS M JOLLIFFE (THE JOLLIFFE SUPER FUND A/C)	400,000	0.85%
19.	FORBAR CUSTODIANS LIMITED	377,175	0.80%
20.	MR M W SHARPE + MRS M W SHARPE	317,599	0.67%

Substantial Shareholders

Substantial shareholders in the company are set out below:

Name	Ordinary Shares	% held
REYER INVESTMENTS PTY LTD (SUPER FUND A/C)	7,810,000	16.54%
DUNMOORE PTY LTD	6,854,052	14.52%
SMOOTHWARE PTY LTD	3,142,819	6.66%

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

PROPHECY INTERNATIONAL HOLDINGS LIMITED
ACN 079 971 618

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting
12 November 2010

Time of Meeting
11.00 am (SA time)

Place of Meeting
The Rendezvous Allegra Hotel
55 Waymouth Street
Adelaide SA 5000

NOTICE OF ANNUAL GENERAL MEETING

PROPHECY INTERNATIONAL HOLDINGS LIMITED
ACN 079 971 618

Notice is hereby given that the Annual General Meeting of shareholders of Prophecy International Holdings Limited (**Company**) will be held at The Rendezvous Allegra Hotel, 55 Waymouth Street, Adelaide, South Australia at 11.00 am (SA time) on 12 November 2010.

Ordinary Business

To consider the Financial Statements for the financial year ended 30 June 2010 and accompanying reports of the Directors and Auditor.

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

Resolution 1: Re-election of Edwin Reynolds as Director

'*That Mr Edwin Reynolds, being a Director of the Company, retires at the Annual General Meeting of the Company and being eligible, and offering himself, for re-election, is re-elected as a Director.*'

Resolution 2: Subsequent approval of the issue of 900,000 ordinary shares

'*That for the purpose of ASX Listing Rule 7.4 and all other purposes, approval be and is hereby given to the allotment and issue by the Company of 900,000 ordinary shares on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of General Meeting.*'

Resolution 3: Adoption of Remuneration Report

'*That the Company adopt the Remuneration Report for the year ended 30 June 2010 as set out in the Company's Annual Report for the year ended 30 June 2010.*'

DATED 16th September 2010

BY ORDER OF THE BOARD
PROPHECY INTERNATIONAL HOLDINGS LIMITED

ANTHONY P WEBER
COMPANY SECRETARY

NOTES:

1. **Explanatory Memorandum**

   The Explanatory Memorandum accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting and should be read in conjunction with this Notice of Annual General Meeting.

   Shareholders are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used in both this Notice of Annual General Meeting and the Explanatory Memorandum.

2. **Voting Exclusion Statement – Resolution 2**

   The Company will disregard any votes cast on Resolution 2 by Melissa Fanning, Grant Miles, Rachael Miles, Darren Shaw, Jillian Shaw and John Shaw and associates of each of them.

   However the Company need not disregard a vote if:

   (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

   (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. **Proxies**

   A shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the shareholder at the Meeting. A proxy need not be a shareholder. If the shareholder is entitled to cast two or more votes at the Meeting the shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

4. **'Snap Shot' Time**

   The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Directors have determined that all shares of the Company that are quoted on ASX as at 7.00 pm (SA time) on 10 November 2010 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the shares at that time.

5. **Corporate Representative**

   Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening an Annual General Meeting of shareholders of Prophecy International Holdings Limited to be held on 12 November 2010. This Explanatory Memorandum is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Memorandum the Directors believe that there is no other information that could reasonably be required by shareholders to consider Resolutions 1, 2 and 3.

All of the resolutions are ordinary resolutions. They are separate resolutions and in no way dependent on each other.

1. RESOLUTION 1: RE-ELECTION OF EDWIN REYNOLDS AS DIRECTOR

Mr Edwin Reynolds was appointed as a Director on 4 September 1997.

The Constitution requires that any Director who, if they did not retire at the Annual General Meeting, would at the next Annual General Meeting have held office for more than three years must automatically retire, but is eligible for re-election at the Annual General Meeting. Mr Reynolds automatically retired as a Director at the Company's Annual General Meeting held on 14 November 2008 and was re-elected at that Annual General Meeting.

As Mr Reynolds would at the next Annual General Meeting have held office for more than three years, he retires as a Director but, being eligible, offers himself for re-election.

Mr Reynolds has held various positions within the IT industry, which have given him wide-ranging and extensive experience. Mr Reynolds joined the Company as General Manager in 1987 and has contributed to the Company in various roles. Mr Reynolds is passionate about ensuring the Company achieves its targets and is on track to deliver future success.

The Directors recommend that shareholders vote in favour of Resolution 1.

2. RESOLUTION 2: SUBSEQUENT APPROVAL OF THE ISSUE OF 900,000 ORDINARY SHARES

ASX Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12 month period which exceed 15% of the number of ordinary securities of the company held at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting unless an exception in ASX Listing Rule 7.1 applies.

However, ASX Listing Rule 7.4 provides that an issue of equity securities made without approval under ASX Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of ASX Listing Rule 7.1 if:

- the issue did not breach ASX Listing Rule 7.1; and
- holders of ordinary securities subsequently approve it.

As announced to ASX on 21 December 2009, on 18 December 2009 the Company entered into a Share Sale Agreement (**Agreement**) to acquire all of the issued shares in the capital of Promadis Pty Limited (**Promadis**). In accordance with the Agreement, on 11 January 2010 the Company issued 900,000 fully paid ordinary shares as part consideration for the shares in Promadis as follows:

Melissa Fanning	70,000 shares
Grant Miles and Rachael Miles	250,000 shares
Darren Shaw	40,000 shares
Darren Shaw and Melissa Fanning	200,000 shares
Jillian Shaw	170,000 shares
John Shaw	170,000 shares

The purpose of Resolution 2 is to seek shareholder approval to the issue of the shares under ASX Listing Rule 7.4. If shareholders approve the issue of the shares for the purpose of ASX Listing Rule 7.4, the issue of the shares will not count towards determining the number of equity securities which the Company can issue in any 12 month period. The issue of the shares does not depend upon shareholders passing Resolution 2. However, if shareholders do not approve the issue of the shares for the purpose of ASX Listing Rule 7.4, the issue of the shares will count towards the number of equity securities which the Company can issue in any 12 month period.

For the purpose of ASX Listing Rule 7.5 information regarding the shares is provided as follows:

- 900,000 shares have been allotted.
- The shares have been issued for no consideration (but with a notional issue price of $0.65).
- The terms and conditions of the shares are the same as the terms and conditions of already issued fully paid ordinary shares in the Company.
- The allottees of the shares are identified above.
- No funds were raised from the issue of the shares.

The Directors recommend that shareholders vote in favour of Resolution 2.

3. RESOLUTION 3: ADOPTION OF REMUNERATION REPORT

The Annual Report for the year ended 30 June 2010 contains a Remuneration Report which sets out the remuneration policy of the Company.

Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Shareholders should note that the vote on Resolution 3 is advisory only and will not bind the Company or the Directors. However, the Board will take the outcome of the vote into consideration when reviewing the Company's remuneration policy.

GLOSSARY

In this Explanatory Memorandum and Notice of Annual General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

ASX means ASX Limited ACN 008 624 691;

ASX Listing Rules means the official listing rules of ASX;

Board means the board of directors of the Company;

Company means Prophecy International Holdings Limited ACN 079 971 618;

Constitution means the constitution of the Company;

Corporations Act means *Corporations Act 2001* (Cth);

Director means a director of the Company;

Meeting means the meeting of shareholders convened by the Notice; and

Notice means the notice of meeting to which this Explanatory Memorandum is attached.

Prophecy International Holdings Limited

ABN 16 079 971 618

000001 000 PRO
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

☑ **Cast your proxy vote**

☑ **Access the annual report**

☑ **Review and update your securityholding**

Your secure access information is:
Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11:00 am Wednesday, 10 November 2010

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Prophecy International Holdings Limited hereby appoint

☐ **the Chairman of the meeting** **OR** ______

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Prophecy International Holdings Limited to be held at The Rendezvous Allegra Hotel, 55 Waymouth Street Adelaide, South Australia on Friday, 12 November 2010 at 11:00 am (SA time) and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
1	Re-election of Edwin Reynolds as Director	☐	☐	☐
2	Subsequent approval of the issue of 900,000 ordinary shares	☐	☐	☐
3	Adoption of Remuneration Report	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______ Contact Daytime Telephone ______ Date ___ / ___ / ___