



**Prophecy**

**PROPHECY INTERNATIONAL HOLDINGS LTD**

**ACN 079 971 618**

**Appendix 4D - Half Year Report**

**For the Period Ended 31 December 2010**

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

**For the Period Ended 31 December 2010**

This report should be read in conjunction with the 30 June 2010 Annual Financial Report of the consolidated entity.

<b>1 Summary of results</b>	<b>% change</b>	<b>Direction</b>	<b>\$</b>
Revenue from ordinary activities	16%	up	2,887,452
Profit from ordinary activities before tax attributable to members	28%	down	355,234
Profit from ordinary activities after tax attributable to members	18%	down	241,644
Profit from ordinary activities attributable to members (after minorities)	18%	down	241,644

The directors' have declared an interim unfranked dividend of 0.5 cents per share with a record date of 1<sup>st</sup> March 2011 and payment date of 17<sup>th</sup> March 2011.

**2 Explanatory information**

For the six months to 31 December 2010, Prophecy has posted a profit before tax of \$0.36 million. This compares with a profit of \$0.49 million before tax for the same period last year.

Revenues for the six months to 31 December 2010 were \$2.89 million – up 16% from the same period last year which recorded revenues of \$2.48 million.

The half year closed with a cash balance of \$4.13 million which was \$0.94 million lower than the cash balance at the same period last year.

**PROPHECY INTERNATIONAL HOLDINGS LTD**  
**Other Information**

**For the Period Ended 31 December 2010**

**3 Net Tangible Assets per Security**

	2010	2009
	\$	\$
Net Tangible Assets	5,374,551	6,792,469
Number of Securities	47,209,784	46,274,784
<b>NTA</b>	<b>0.114</b>	<b>0.147</b>

**4 Changes in Controlled Entities**

None

**The reviewed financial statements for the period ended 31 December 2010 are attached.**



**PROPHECY INTERNATIONAL HOLDINGS LTD**

**ACN 079 971 618**

**REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

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## **PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES**

### **REVIEW OF OPERATIONS AND RESULTS OF OPERATIONS**

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#### **FINANCIALS**

For the six months to 31 December 2010, Prophecy has posted a profit before tax of \$0.36 million . This compares with a profit of \$0.49 million before tax for the same period last year.

Revenues for the six months to 31 December 2010 were \$2.887 million – up 16% from the same period last year which recorded revenues of \$2.48 million.

The half year closed with a cash balance of \$4.13 million which was \$0.94 million lower than the cash balance at the same period last year.

The Directors have declared an interim unfranked dividend of 0.5c per share for the half.

#### **SALES AND MARKETING**

Revenues for the legacy software business were down compared to last year as a major project completed at the start of the period. This part of the business though continues to make a solid contribution to the core profit position.

The billing systems side of our business had a good win with the Arizona Department of Environmental Quality and has built a very good profile in this arena. Sales activity in this area is expected to bring additional positive results. Together with our partners, we are currently participating in a number of tenders for billing systems in North America, the Middle East, Africa and the Asia Pacific regions. Sales cycles tend to be lengthy but our expectation is for some additional wins for the full financial year.

The Promadis side of our business has had a focus on improving customer service levels and the roll out of new software versions. An increased focus on sales activities has resulted in a much improved sales pipeline that should produce enhanced revenue and profit positions in the next 6 months.

#### **RESEARCH AND DEVELOPMENT**

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

Additional research and development was expended on the Promadis product set to enhance the market positioning of its core products. This is expected to result in better sales returns in the coming half.

#### **SUPPORT OF CUSTOMERS**

Our consultants have been engaged on projects in North America, the Middle East, Indonesia and in Australia over the last six months. With a number of older projects moving to completion, focus has been able to be turned to the shaping of new developments to enhance the sale-ability of the current product set.

#### **OUTLOOK**

Prophecy is well positioned in a number of ongoing sales campaigns in each of our key territories. Management expectations are for an improved success rate over the next 6 months which will add to our full year profit expectations. On the whole, sales cycles remain lengthy as customers take a cautious approach to new software solution projects.

Prophecy has competitive, innovative and flexible solutions that are able to pay for themselves even in the current economic position on a worldwide basis. Our partners are working with us to demonstrate our advantages to push for successful outcomes in this financial year.

## PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

### DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2010

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Your directors submit the financial report of Prophecy International Holdings Ltd and controlled entities, for the half-year ended 31 December 2010.

#### Directors

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

Edwin Reynolds  
Anthony P Weber  
Leanne Challans

#### Results from Operations

The consolidated profit of the consolidated entity for the half year to 31 December 2010, after providing for income tax was \$241,644. The profit before tax was \$355,234 with the income tax expense for the period representing a non-cash movement in the deferred tax.

#### Review of operations


A review of operations is shown on page 1 of this report.

#### Auditor's Independence Declaration

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

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

On behalf of the Board of Directors.



.....  
Ed Reynolds



.....  
Leanne R Challans

Signed at **Adelaide** this 24<sup>th</sup> day of **February 2011**.

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Prophecy International Holdings Ltd and controlled entities for the half-year ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

*Grant Thornton*

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP  
Chartered Accountants



P S Paterson  
Partner

Adelaide, 24 February 2011

**PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Note	Consolidated Group	
		31 December 2010 \$	31 December 2009 \$
Revenues from ordinary activities		2,887,452	2,480,482
Employee benefits expense		(1,918,085)	(1,495,202)
Depreciation and amortisation expense		(33,335)	(51,653)
Other expenses from ordinary activities		(580,798)	(440,668)
Profit from ordinary activities before income tax		355,234	492,959
Income tax expense			
- Current income tax benefit		-	10,883
- Movement in deferred tax position		(113,590)	(207,760)
		(113,590)	(196,877)
Profit from ordinary activities after related income tax		241,644	296,082
Profit attributable to minority equity interest		-	-
Profit attributable to members of the parent entity		241,644	296,082
<b>Other comprehensive income</b>			
Adjustments from translation of foreign controlled entities		76,287	(41,982)
<b>Total comprehensive income for the period attributable to members of the parent entity</b>		317,931	254,100
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		0.51	0.64
Diluted earnings per share		0.51	0.64

**The accompanying notes form part of these financial statements**



**PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**

	Note	Consolidated Group	
		31 December 2010 \$	30 June 2010 \$
<b>CURRENT ASSETS</b>			
Cash assets		4,126,260	4,449,570
Trade and other receivables		1,277,098	648,812
Work in progress		5,876	41,684
Current tax assets		587	699
Financial assets at fair value through profit or loss		1	1
Other current assets		57,147	54,040
<b>TOTAL CURRENT ASSETS</b>		<b>5,466,969</b>	<b>5,194,806</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		1,303	1,549
Deferred tax assets		1,613,824	1,546,126
Property, plant and equipment		96,308	103,181
Intangible assets		1,210,178	1,226,250
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,921,613</b>	<b>2,877,106</b>
<b>TOTAL ASSETS</b>		<b>8,388,582</b>	<b>8,071,912</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		318,492	244,330
Current tax liabilities		6,329	9,029
Provisions		761,204	725,194
Other current liabilities		478,154	385,955
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,564,179</b>	<b>1,364,508</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		123,534	97,460
Provisions		16,140	7,097
Other non-current liabilities		100,000	100,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>239,674</b>	<b>204,557</b>
<b>TOTAL LIABILITIES</b>		<b>1,803,853</b>	<b>1,569,065</b>
<b>NET ASSETS</b>		<b>6,584,729</b>	<b>6,502,847</b>
<b>EQUITY</b>			
Issued capital	5	16,481,464	16,481,464
Reserves		(52,337)	(128,624)
Retained earnings		(9,844,518)	(9,850,113)
Parent interest		6,584,609	6,502,727
Non-controlling interest		120	120
<b>TOTAL EQUITY</b>		<b>6,584,729</b>	<b>6,502,847</b>

The accompanying notes form part of these financial statements

**PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Issued Capital \$	Retained Earnings \$	Minority Interest \$	Foreign Translation Reserve \$	Share Option Reserve \$	Total \$
<b>Balance at 1 July 2009</b>	15,612,800	(7,934,757)	120	(495,351)	124,825	<b>7,307,637</b>
Profit attributable to members of parent entity	-	296,082	-	-	-	<b>296,082</b>
<b>Other comprehensive income:</b>						
Adjustments from translation of foreign controlled entities	-	-	-	(41,982)	-	<b>(41,982)</b>
<b>Total comprehensive income for the period</b>	-	296,082	-	(41,982)	-	<b>254,100</b>
Issue of ordinary shares	270,888	-	-	-	-	<b>270,888</b>
Dividends paid	-	(1,030,202)	-	-	-	<b>(1,030,202)</b>
<b>Balance at 31 December 2009</b>	<b>15,883,688</b>	<b>(8,668,877)</b>	<b>120</b>	<b>(537,333)</b>	<b>124,825</b>	<b>6,802,423</b>
<b>Balance at 1 July 2010</b>	16,481,464	(9,850,113)	120	(253,449)	124,825	<b>6,502,847</b>
Profit attributable to members of parent entity	-	241,644	-	-	-	<b>241,644</b>
<b>Other comprehensive income:</b>						
Adjustments from translation of foreign controlled entities	-	-	-	76,287	-	<b>76,287</b>
<b>Total comprehensive income for the period</b>	-	241,644	-	76,287	-	<b>317,931</b>
Dividends paid	-	(236,049)	-	-	-	<b>(236,049)</b>
<b>Balance at 31 December 2010</b>	<b>16,481,464</b>	<b>(9,844,518)</b>	<b>120</b>	<b>(177,162)</b>	<b>124,825</b>	<b>6,584,729</b>

**The accompanying notes form part of these financial statements**

**PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	<b>Consolidated Group</b>	
	<b>31 December 2010</b>	<b>31 December 2009</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	2,502,882	2,954,260
Interest received	147,402	176,047
Payments to suppliers and employees	(2,684,073)	(2,426,745)
Income tax (paid)/received	-	10,883
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(33,789)</b>	<b>714,445</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for property plant & equipment	(11,255)	(14,653)
	<hr/>	<hr/>
<b>NET CASH PROVIDED USED IN INVESTING ACTIVITIES</b>	<b>(11,255)</b>	<b>(14,653)</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(236,049)	(1,030,207)
Proceeds from share issues	-	12,775
	<hr/>	<hr/>
<b>NET CASH PROVIDED USED IN FINANCING ACTIVITIES</b>	<b>(236,049)</b>	<b>(1,017,432)</b>
	<hr/>	<hr/>
Net decrease in cash held	(281,093)	(317,640)
Cash and cash equivalents at beginning of period	4,449,570	5,404,227
Effects of foreign exchange rate changes	(42,217)	(16,235)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	<b>4,126,260</b>	<b>5,070,352</b>

**The accompanying notes form part of these financial statements**

## PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

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#### NOTE 1 – REPORTING ENTITY

Prophecy International Holdings Limited ("the company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the "consolidated group").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2010 is available on request from the Company's registered office at Level 2, 124 Waymouth Street, Adelaide 5000, South Australia or at [www.prophecyinternational.com](http://www.prophecyinternational.com).

#### NOTE 2 – STATEMENT OF COMPLIANCE

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Prophecy International Holdings Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

#### NOTE 3 – DIVIDENDS

An interim unfranked dividend of 2 cents per share was paid in March 2010 (2 cents previous period) and a final unfranked dividend of 0.5 cents per share was paid in October 2010 (2.25 cents previous period).

**PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 4 - OPERATING SEGMENT INFORMATION**

**(a) Segment performance**

	<b>2010</b>						
	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	-	1,166,141	-	746,752	740,820	135,162	2,788,875
Intersegment sales	-	636,385	-	-	117,031	10,044	763,460
Other revenue	904	97,673	-	-	-	-	98,577
<b>Total segment revenue</b>	<b>904</b>	<b>1,900,199</b>	<b>-</b>	<b>746,752</b>	<b>857,851</b>	<b>145,206</b>	<b>3,650,912</b>

*Reconciliation of segment revenue to group revenue*

Intersegment sales	(763,460)
<b>Total group revenue</b>	<b>2,887,452</b>

Segment profit/(loss) before tax	(32,147)	549,409	-	(113,155)	88,338	(121,139)	371,306
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*Reconciliation of segment profit/(loss) before tax to group profit/(loss) before tax*

Unallocated amortisation expense	(16,072)
<b>Net profit before tax from continuing operations</b>	<b>355,234</b>

	<b>2009</b>						
	Prophecy International Holdings Ltd	Prophecy International Pty Ltd	Prophecy R&D Pty Ltd	Prophecy Malaysia	Prophecy Americas Inc	Prophecy Europe Limited	Total
	\$	\$	\$	\$	\$	\$	\$
External sales	-	1,673,988	-	-	542,183	154,346	2,370,517
Intersegment sales	-	569,189	-	-	84,056	3,765	657,010
Other revenue	1,244	108,721	-	-	-	-	109,965
<b>Total segment revenue</b>	<b>1,244</b>	<b>2,351,898</b>	<b>-</b>	<b>-</b>	<b>626,239</b>	<b>158,111</b>	<b>3,137,492</b>

*Reconciliation of segment revenue to group revenue*

Intersegment sales	(657,010)
<b>Total group revenue</b>	<b>2,480,482</b>

Segment profit/(loss) before tax	(34,668)	726,646	-	-	(155,848)	(13,231)	522,899
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*Reconciliation of segment profit/(loss) before tax to group profit/(loss) before tax*

Unallocated amortisation expense	(29,940)
<b>Net profit before tax from continuing operations</b>	<b>492,959</b>

**PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 4 - OPERATING SEGMENT INFORMATION (continued)**

**(b) Segment Assets**

	<b>31 December 2010</b>						
	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	<b>4,452,140</b>	<b>12,530,272</b>	-	<b>297,989</b>	<b>1,051,863</b>	<b>1,047,543</b>	<b>19,379,807</b>

*Reconciliation of segment assets to group assets*

Inter-segment items eliminated on consolidation	(13,794,212)
Current tax assets	17,499
Deferred tax assets	1,575,310
Intangible assets	1,210,178

**Total group assets**

**8,388,582**

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	-	6,572	-	3,820	-	-	10,392
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	<b>30 June 2010</b>						
	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	<b>5,833,031</b>	<b>18,419,427</b>	-	<b>361,161</b>	<b>245,301</b>	<b>1,121,025</b>	<b>25,979,945</b>

*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
	<b>1,284,723</b>	<b>17,123</b>	-	<b>26,747</b>	-	-	<b>1,328,593</b>

**PROPHECY INTERNATIONAL HOLDINGS LTD & CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE HALF - YEAR ENDED 31 DECEMBER 2010**

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**NOTE 5 – SHARE CAPITAL**

During the six months ended 31 December 2010 the company did not issue any shares.

**NOTE 6 – SHARE BASED PAYMENTS**

There have been no share based payments in the six months to 31 December 2010.

**NOTE 7 – SUBSEQUENT EVENTS**

There have been no subsequent events since 31 December 2010.

**NOTE 8 – CONTINGENT LIABILITIES**

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

**PROPHECY INTERNATIONAL HOLDINGS LTD**

**DIRECTORS' DECLARATION  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

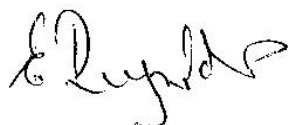
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The directors of the company declare that:

1. The financial statements and notes as set out on pages 4 to 11 are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December, 2010 and its performance for the half year ended on that date; and
  - (b) comply with Accounting Standard AASB 134: Interim Financial Reporting.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



.....  
Ed Reynolds



.....  
Leanne R Challans

Signed at ADELAIDE, this 24<sup>th</sup> February 2011.



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

We have reviewed the accompanying half-year financial report of Prophecy International Holdings Ltd (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

### **Directors’ responsibility for the half-year financial report**

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

### **Auditor’s responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity’s financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

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

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

### **Independence**

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

### **Conclusion**

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

*Grant Thornton*

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP  
Chartered Accountants



P S Paterson  
Partner

Adelaide, 24 February 2011