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Prophecy

insight



Prophecy International (ASX: PRO) has announced the completion of an agreement with International Business Machines Corporation (IBM) for IBM to resell Prophecy's latest application development tool, Velatte, on a global basis.

Velatte is a product that allows organisations to produce Java-based software applications without the traditional development phase and reduces the need for Java coding. Velatte is receiving considerable attention in the North American market following its announcement at the JavaONE conference in San Francisco in April 2002.

Prophecy's agreement with IBM allows IBM to promote and sell Velatte through its 2,000 Value Added Distributors and 22,000 Resellers. Initial focus is on the US and Australia, then progressively through all worldwide territories.

Velatte currently operates in the IBM WebSphere and DB2 environments. It is expected that sales by IBM under this agreement will make a substantial contribution to Prophecy's revenues in the 2002/03 financial period.



Message from CEO

Send Now Send Later

From: **Alan Greig**

To: **Shareholders, Clients, Partners and Staff**

Subject: **My new role as CEO**

Attachments:

Verdana Medium B I U T

Prophecy International has completed the global restructure that aligns its corporate operations with the subdued market but is ready to take advantage of an anticipated upturn.

Former CEO Bruce Lakin was instrumental in the alignment of Prophecy's structure with its market prospects and I have accepted the role of CEO in an acting capacity until the end of January 2003 to ensure this momentum is continued as we deliver key products to market. At that time the company will fill the position permanently, either through internal promotion or external recruitment.

After a record period of instability in the IT market, there are indications that business owners are beginning to examine the need for investment in their information systems but are looking for a return on the investment rather than a technology chase. Prophecy's products are well positioned to take advantage of any positive change in the market that this shift in attitude may generate.

While Prophecy has focused on maintaining tight cost control while the market is subdued, the entire group is well prepared to take advantage of any upturn in the business market. We look forward to a return to profit by year end.

Our e-Foundation product is used very successfully in major software development projects in Australia and is gaining greater recognition in the important US market.

Our Velatte Java application assembly environment has gained international recognition with IBM agreeing to promote and sell Velatte through its Distributor network, initially in the US and Australia, then globally. Similarly we are working with other multinational partners who are interested in exploiting the market potential of Velatte.

I thank you for your ongoing support of Prophecy and look forward to sharing with you the positive outcomes we are expecting from these global alliances in the near future.

Regards
Alan Greig
Chief Executive Officer



ANZ Banks on Prophecy

... INTERNET-BASED SOLUTIONS ... INTERNET-BASED SOLUTIONS ...

The ANZ Banking Group has commenced rolling out new Internet-enabled business systems after completing a major IT development using software developed by Prophecy International.

The Asset Finance division of ANZ selected Prophecy's e-Foundation rapid application assembly technology as the major component to develop a new Internet-based solution for its finance and investment systems.

As well as supplying the object-oriented software, Prophecy delivered professional services to assist with the project, including training ANZ staff within Australia and those on a special software development team in Bangalore, India.

Commenced in mid 2000, the multi-million-dollar project was a major local endorsement for Prophecy's unique technology, representing a significant milestone in the acceptance of its world-leading e-Foundation software as the cornerstone of large development projects.



Prophecy won the business against competition from overseas-based multinationals by conforming to strict internal technical and integration criteria. A successful "proof of concept" phase showed the flexible capabilities of the e-Foundation technology.



Velatte Partners

Prophecy International has signed two new Australasian partners, RTI and MIS, to deliver its breakthrough Velatte rapid assembly tool for Java applications.

RTI (Relational Technologies International) is a New Zealand-based company that specialises in data modelling, database creation & administration, and data manipulation, using state-of-the-art tools.

MIS is a long-term Prophecy business partner based in Perth. The company has implemented Prophecy's software at client sites including Fremantle Ports Authority, TVW Channel 9 Telethon Institute of Child Health Research and the WA Department of Family And Children Services (FACS).



New CEO Continues Momentum

... CEO ENSURES MOMENTUM ... CEO ENSURES MOMENTUM ... CEO ENSURES MOMENTUM ... CEO ENSURES MOMENTUM ...



Alan Greig has taken the role of acting Chief Executive Officer of Prophecy International to ensure continuity at a crucial time in the company's history.

Alan was appointed as CEO by the Prophecy board after former CEO Bruce Lakin handed in his resignation in order to spend more time with his family. "We need to continue the momentum for delivering Velatte into the marketplace," he said.

Alan joined Prophecy in 1991 after running his own successful retail software company.

His initial responsibility was to build the international distribution network that laid the foundation for the enormous success of Prophecy Classic, the most popular financial management software to run on the Ingres database.

Alan's success included creating a network that extended throughout Europe, Asia, Africa and North America, ensuring that the original Prophecy Financials was installed at many hundreds of sites worldwide.

Since then his responsibilities have included global sales and marketing and, most recently, the role of Chief Executive Officer for the Asia, Africa and Australia (A3) region. In this latter role, Alan has been involved in the successful sale and implementation of Prophecy products and services at the Esanda division of ANZ bank, Revenue SA and Department of Water Licensing and Biodiversity Conservation.

Alan has also held an inaugural position on the Prophecy board since the company floated on the Australian Stock Exchange in 1998.

Prophecy International chairman Bob Shaw said Alan would ensure the continuity of the restructure that Bruce Lakin had commenced and maintain the momentum to deliver Prophecy products in the marketplace.

Ian Leads a Winning Team

... TEAM LEADERSHIP FOCUS ... TEAM LEADERSHIP FOCUS ...



Landing back home after eight years working abroad, Ian Gray, Prophecy International's new Group Manager for Software Development and Research (R&D) was looking for a strategic career path.

An esteemed long-distance cyclist, Mr Gray knows the perseverance and preparation needed to achieve long-term goals and was looking for challenges to suit his drive.

Since coming third in the famous British 24-hour Championships a few years ago, Mr Gray has found similarities in the tenacity required both as an athlete and in his research and development career.

Back then, he rode 778 kms in 24 hours to beat more than 120 competitors. Now

he is leading Prophecy's software development team to deliver the next version of Velatte, the company's breakthrough Java-based application assembly tool.

Mr Gray said he was looking forward to taking his team to its limits to create a quality product that the market needs. "Prophecy wanted someone to take the next generation of Velatte to market," he said. "My responsibility is to oversee the development of the user-friendly Java tool to ensure our customers get the product they want.

"Velatte is one of the most advanced software assembly tools available and can deliver 100 per cent pure Java applications with no Java coding. Prophecy has provided me with the opportunity to create a bleeding edge development team based on industry best practice and strong methodology."

With more than 14 years experience in systems development, including a number of years with Camtech, Mr Gray fitted the requirements of the new position perfectly.

"Developing new products is a vigorous and rewarding exercise. It's not unlike preparing for the British 24-hour Championships – but in this race, we don't plan to come third, we're definitely going to be in the winner's circle." 🌀

Phoenix Rises from the Veldt

Prophecy International has successfully concluded an agreement to support its substantial client base in South Africa.

Two years ago, major South African IT group OAI collapsed, taking with it a subsidiary company called Best, which was Prophecy's major business partner in the country.

Prophecy has appointed a new company, called RMA, to provide its customers in the country with first-line technical support for their Prophecy software.

Prophecy has some major sites in the African republic. These include government-owned ports authority PortNet; the operator of the largest private telecommunications network in Africa, TransTel; and the National

Parks of South Africa, which manages parks including Kruger National Park, and SAFCOL, the South African Forestry Company Ltd.

RMA has delivered continuity for Prophecy customers through hiring a number of staff that formerly worked with previous business partner, Best.

Prophecy CEO Alan Greig said the agreement with RMA ensured the company maintained excellent support for its customers. "It also assists us to begin identifying new prospects in the region," he said. 🌀

Asia Beckons

After several quiet years, Prophecy's prospects in Asia are improving. A number of Prophecy clients in the region are currently examining the prospects of upgrading from Prophecy Classic to ProphecyOpen.

Prophecy Channels Manager Andy Wong, who formerly held the role as Prophecy's Malaysia-based regional manager, said the current product's success was its biggest rival. "The original Prophecy Classic product was so full of functionality that many customers are still happy with it," he said. "In Asia, there are murmurs of people looking for systems, so we are talking to existing customers to see if they want to upgrade and there is a bit of interest."

Prophecy's software is used throughout Asia. The biggest installation is Johore Water, a water utility company in the Malaysian state of Johore which uses the Prophecy Classic Financials as well as the BASIS billing system. Another Malaysian utility, Sabah Water, uses just BASIS.

Other major Asian clients for Prophecy include Harrisons Trading, a Malaysian-based importer of all sorts of goods including food, timber and perishables, and the 7/11 convenience chain stores in the Philippines capital of Manila. 🌀

S|E|A| Swell for Velatte

Prophecy International received strong interest in Velatte from delegates at a major Australian software conference held in September.

The event, S|E|A| National Conference 2002, is the annual centrepiece for Software Engineering Australia, a network of software engineering resource centres throughout Australia.

As a sponsor, Prophecy International used the conference to profile the business benefits of Velatte, the company's breakthrough Java-based rapid application assembly tool.

Prophecy International CEO Alan Greig said Velatte had attracted a lot of interest at the conference. "We generated a number of strong prospects," he said. 🌀



Gartner Predicts Growth

... GLOBAL TRENDS ... GLOBAL TRENDS ... GLOBAL TRENDS

Global research group Gartner predicts the worldwide IT spending will climb to US\$2.3 trillion in 2002 – a 3.4 per cent increase from last year.

Gartner's Dataquest unit told the Gartner Symposium/ITxpo 2002 event in Florida that both enterprises and vendors were looking for positive signs of a return to corporate spending, especially in the US.

However, welcome news from the researcher is that IT spending in Asia Pacific is expected to rise 5.8 per cent to more than US\$258 billion in 2002, substantially above the 3.4 per cent prediction for global IT spending growth.

Gartner Dataquest predicts that expenditure level may grow by a further 9.9 per cent to US\$284.6 billion in 2003, contributing to a global growth rate of seven per cent that year.

Principal analyst for Gartner Dataquest's computing platforms and economics research George Shiffler said the return to global IT spending was expected to begin with shorter-term less strategic items. These were items such as PCs, low-end servers and infrastructure software that could help deliver more value out of systems and networks.

Gartner Dataquest reported that global IT spending was being led by the telecommunications sector, which was on track to comprise 58.4 per cent of IT spending in 2002.

IT services was the second largest segment, with end-user spending forecast to total US\$57.5 billion, followed by hardware spending at \$323.3 billion.

While the software industry is expected to return to positive growth in 2002, Gartner Dataquest analysts said the industry will recover at different rates.

Gartner Dataquest group vice president and worldwide director for software program Roger Fulton said most demand would be for infrastructure software that could help deliver more value from existing systems. 🌐

Our Surge in Services

Prophecy International has generated a substantial increase in services revenue from its Australian region during the past financial year.

At its Annual General Meeting in Adelaide, South Australia, on October 31, CEO Alan Greig informed shareholders about the progress achieved with restructuring the company during the difficult trading conditions globally. He also outlined the company's success with negotiating paths to market for the company's new Velatte product.

Despite the difficult international trading conditions for IT companies, Mr Greig said a highlight during the past year had been growth in the company's consulting revenue. "As with the international economy, Australia has provided a bright spot for Prophecy," he said.

"Our services division in this country has grown from five to 16 persons off the back of major implementation projects for clients including ANZ, Revenue SA and the South Australian Department of Water Land and Biodiversity Conservation.

"Our home territory is providing solid services revenue growth while the rest of the world is struggling." 🌐

US Web Marketing Blitz

Prophecy Americas is fighting the post-September 11 environment in the US through an innovative campaign of web marketing.

Prophecy Americas Executive Vice President and General Manager Peter Barzen has generated interest in e-Foundation through web-cast presentations to technical groups and target vertical markets throughout North America.

The Americas online campaign is particularly aimed at the installed base of

the technology on which e-Foundation is built – Ingres and OpenROAD.

Peter said the campaign had generated a significant interest from a number of companies that were examining e-Foundation. "In these difficult times," he said. "CIO's are looking for an extended return on their initial technology investment. The return must be evident immediately which is what the e-Foundation is providing by layering the technology over legacy systems."

Participants in the seminars have come from places as diverse as Alberta and the Caribbean, as well as throughout the US. 🌐

Facelift for UK Growth

Prophecy International is exploring strong business prospects in its European division with a tool that enables clients to bring their Prophecy Classic software into the 21st century.

Prophecy is undertaking a development that will enable current clients to Internet-enable Prophecy Classic without making major changes to the underlying software application.

In the UK, Prophecy has a strong presence in the local government and education marketplaces. While traditionally conservative investors in technology, these segments of the market can clearly benefit from web deployment of information. Prophecy software is used by more than 150 local government organisations.

The development enables e-Foundation to run on legacy Oracle and Ingres databases.

Using the ePortal component, Prophecy can give these systems a "facelift" that provides the ease and convenience of Internet performance from the older software, effectively dragging these old applications into the 21st century without incurring expensive or disruptive IT projects. 🌐

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