



præmium
Præmium pro factis
making the leap

08

annual report

09



08 financial statements 09

Income Statements

For the Year Ended 30 June 2009

	Note	Consolidated Entity		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue	3	8,849,278	7,066,466	2,878,897	2,603,342
Other income	4	99,851	410,018	72,687	396,119
Employee costs		(12,983,107)	(11,520,192)	(4,967,824)	(4,603,526)
Depreciation, amortisation and impairments	5	(587,959)	(518,125)	(348,128)	(301,535)
Legal, professional, advertising and insurance expense		(3,407,838)	(2,747,269)	(700,419)	(487,598)
Commissions expense		(237,125)	(205,323)	-	-
Travel expenses		(438,730)	(652,094)	(80,453)	(55,001)
IT support expenses		(743,597)	(433,370)	(382,486)	(340,358)
Occupancy costs		(956,063)	(952,472)	(176,597)	(162,651)
Net foreign exchange losses		(22,511)	(206,584)	(565,690)	(1,775,032)
Telecommunication costs		(307,683)	(461,849)	(133,349)	(132,210)
Product development fee to controlled entity		-	-	(2,975,130)	(2,139,002)
Impairment of loan to subsidiary	1	-	-	(5,050,879)	-
Impairment of available for sale financial assets	1	(168,548)	-	(168,548)	-
Other expenses		(11,288)	(466,166)	(5,701)	(420,194)
Finance costs	5	(1,899)	(467)	(16)	(259)
Loss before income tax expense		(10,917,219)	(10,687,427)	(12,603,636)	(7,417,905)
Income tax expense	6	-	-	-	-
Loss attributable to members of the parent entity		(10,917,219)	(10,687,427)	(12,603,636)	(7,417,905)
Basic earnings/(loss) per share (cents per share)	25	(0.067)	(0.074)		
Diluted earnings/(loss) per share (cents per share)	25	(0.067)	(0.074)		

The accompanying notes form part of these financial statements.

Balance Sheets

As at 30 June 2009

	Note	Consolidated Entity		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Current assets					
Cash and cash equivalents	7	5,620,129	13,086,527	40,250	3,744,313
Trade and other receivables	8	2,978,022	2,148,372	595,784	581,789
Total current assets		8,598,151	15,234,899	636,034	4,326,102
Non current assets					
Financial assets	9	149,258	227,002	5,075,134	5,032,864
Property, plant and equipment	10	1,891,823	2,199,685	1,043,578	1,200,734
Intangible assets	11	-	-	-	-
Other receivables	12	-	-	9,324,312	17,638,634
Total non current assets		2,041,081	2,426,687	15,443,024	23,872,232
TOTAL ASSETS		10,639,232	17,661,586	16,079,058	28,198,334
Current liabilities					
Trade and other payables	13	5,329,712	2,149,640	476,758	643,872
Provisions	14	778,825	492,348	457,241	259,653
Total current liabilities		6,108,537	2,641,988	933,999	903,525
Non current liabilities					
Provisions	14	81,742	38,958	59,349	29,945
Total non current liabilities		81,742	38,958	59,349	29,945
TOTAL LIABILITIES		6,190,279	2,680,946	993,348	933,470
NET ASSETS		4,448,953	14,980,640	15,085,710	27,264,864
Equity					
Share capital	15	38,476,239	38,359,200	38,476,239	38,359,200
Reserves	16	(841,823)	(1,097,264)	222,972	(71,419)
Accumulated losses		(33,185,463)	(22,281,296)	(23,613,501)	(11,022,917)
TOTAL EQUITY		4,448,953	14,980,640	15,085,710	27,264,864

The accompanying notes form part of these financial statements.

Statements of Changes in Equity

For the Year Ended 30 June 2009

Parent Entity 2009

	Ordinary Shares \$	Accumulated Losses \$	Option Reserve \$	Revaluation Reserve \$	Total \$
Equity as at beginning of period	38,359,200	(11,022,917)	27,888	(99,307)	27,264,864
Changes:					
Reversal of the fair value of available-for-sale financial assets now impaired	-	-	-	99,307	99,307
Net income recognised directly in equity	-	-	-	99,307	99,307
Loss attributable to members of the parent entity	-	(12,603,636)	-	-	(12,603,636)
Recognised income and expense for the year	-	(12,603,636)	-	-	(12,603,636)
Issue of shares	117,039	-	-	-	117,039
Option expense	-	-	87,133	-	87,133
Amounts relating to controlled entities	-	-	117,852	-	117,852
Exchange difference on option reserve	-	-	3,151	-	3,151
Transfer on lapsing of options	-	13,052	(13,052)	-	-
Sub total	117,039	13,052	195,084	-	325,175
Equity as at 30 June 2009	38,476,239	(23,613,501)	222,972	-	15,085,710

The accompanying notes form part of these financial statements.

Parent Entity 2008

	Ordinary Shares \$	Accumulated Losses \$	Option Reserve \$	Revaluation Reserve \$	Total \$
Equity as at beginning of period	30,306,672	(3,619,850)	36,528	54,791	26,778,141
Changes:					
Changes in the fair value of available-for-sale financial assets	-	-	-	(154,098)	(154,098)
Net income recognised directly in equity	-	-	-	(154,098)	(154,098)
Loss attributable to members of the parent entity	-	(7,417,905)	-	-	(7,417,905)
Recognised income and expense for the year	-	(7,417,905)	-	-	(7,417,905)
Issue of shares	8,578,588	-	-	-	8,578,588
Equity raising costs	(538,640)	-	-	-	(538,640)
Option expense	-	-	18,778	-	18,778
Transfer on lapsing of options	-	14,838	(14,838)	-	-
Transfer on exercise of options	12,580	-	(12,580)	-	-
Sub total	8,052,528	14,838	(8,640)	-	8,058,726
Equity as at 30 June 2008	38,359,200	(11,022,917)	27,888	(99,307)	27,264,864

The accompanying notes form part of these financial statements.

Statements of Changes in Equity (cont.)

For the Year Ended 30 June 2009

Consolidated Entity 2009

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Revaluation Reserve	Total
	\$	\$	\$	\$	\$	\$
Equity as at beginning of period	38,359,200	(22,281,296)	(1,025,845)	27,888	(99,307)	14,980,640
Changes:						
Reversal of the fair value of available-for-sale financial assets now impaired	-	-	-	-	99,307	99,307
Exchange differences on translation of foreign operations	-	-	(38,950)	-	-	(38,950)
Net income recognised directly in equity	-	-	(38,950)	-	99,307	60,357
Loss attributable to members of the parent entity	-	(10,917,219)	-	-	-	(10,917,219)
Recognised income and expense for the year	-	(10,917,219)	-	-	-(10,917,219)	
Issue of shares	117,039	-	-	-	-	117,039
Option expense	-	-	-	204,985	-	204,985
Exchange difference on option reserve	-	-	-	3,151	-	3,151
Transfer on lapsing of options	-	13,052	-	(13,052)	-	-
Sub total	117,039	13,052	-	195,084	-	325,175
Equity as at 30 June 2009	38,476,239	(33,185,463)	(1,064,795)	222,972	-	4,448,953

The accompanying notes form part of these financial statements.

Consolidated Entity 2008

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Revaluation Reserve	Total
	\$	\$	\$	\$	\$	\$
Equity as at beginning of period	30,306,672	(11,608,707)	(101,329)	36,528	54,791	18,687,955
Changes:						
Changes in the fair value of available-for-sale financial assets	-	-	-	-	(154,098)	(154,098)
Exchange differences on translation of foreign operations	-	-	(924,516)	-	-	(924,516)
Net income recognised directly in equity	-	-	(924,516)	-	(154,098)	(1,078,614)
Loss attributable to members of the parent entity	-	(10,687,427)	-	-	-	(10,687,427)
Recognised income and expense for the year	-	(10,687,427)	-	-	-(10,687,427)	
Issue of shares	8,578,588	-	-	-	-	8,578,588
Equity raising costs	(538,640)	-	-	-	-	(538,640)
Option expense	-	-	-	18,778	-	18,778
Transfer on lapsing of options	-	14,838	-	(14,838)	-	-
Transfer on exercise of options	12,580	-	-	(12,580)	-	-
Sub total	8,052,528	14,838	-	(8,640)	-	8,058,726
Equity as at 30 June 2008	38,359,200	(22,281,296)	(1,025,845)	27,888	(99,307)	14,980,640

The accompanying notes form part of these financial statements.

Cash Flow Statements

For the Year Ended 30 June 2009

	Note	Consolidated Entity		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Cash from operating activities:					
Receipts from customers		10,192,919	6,793,366	77,731	-
Payments to suppliers and employees		(17,677,755)	(16,796,086)	(6,391,820)	(7,089,850)
Interest received		333,345	665,393	272,501	438,319
Borrowing costs paid		-	-	-	-
Net cash (used by) /provided from operating activities	23	(7,151,491)	(9,337,327)	(6,041,588)	(6,651,531)
Cash flows from investing activities:					
Unit trust distributions received		14,567	24,657	14,567	24,657
Payments for property, plant and equipment		(270,138)	(830,605)	(190,972)	(603,148)
Acquisition of unit trust		-	(19,789)	-	(19,789)
Payment for shares in controlled entities		-	-	-	(4,802,472)
Proceeds from disposal of property, plant and equipment		-	-	-	-
Proceeds from disposal of other investments		-	-	-	-
Loans to related parties payments (made)/ from		-	-	3,079,620	(4,456,557)
Net cash used in investing activities		(255,571)	(825,737)	2,903,215	(9,857,309)
Cash flows from financing activities:					
Proceeds from the issue of share capital		-	8,175,499	-	8,175,499
Share issue transaction costs		-	(538,640)	-	(538,640)
Net cash provided by financing activities		-	7,636,859	-	7,636,859
Net cash increase (decreases) in cash and cash equivalents		(7,407,062)	(2,526,205)	(3,138,373)	(8,871,981)
Cash and cash equivalents at beginning of year		13,086,527	16,763,182	3,744,313	14,391,327
Effect of exchange rates on cash holdings in foreign currencies		(59,336)	(1,150,450)	(565,690)	(1,775,033)
Cash and cash equivalents at end of year	7(a)	5,620,129	13,086,527	40,250	3,744,313

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For the Year Ended 30 June 2009

1 Statement of Significant Accounting Policies

(a) General information

The financial report is a general purpose financial report that covers the consolidated position of Praemium Limited and controlled entities (the "Consolidated Entity"), and Praemium Limited as an individual parent entity (the "Parent Entity"). Praemium Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Basis of preparation

The financial report of Praemium Limited and controlled entities has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report complies with International Financial Reporting Standards (IFRS).

(i) Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs as modified by the revaluation of available for sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Praemium Limited ("Parent Entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Praemium Limited and its subsidiaries are referred to in this financial report as the "Group" or the "Consolidated Entity".

A subsidiary is any entity over which Praemium Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of subsidiaries is contained in Note 21 to the financial statements. All subsidiaries have a June financial year end.

All inter company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies adopted by the Group.

Subsidiaries are fully consolidated from the date which control is transferred to the Group. They are de consolidated from the date control ceases.

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations). Cost is measured as the fair value of the assets given, equity instruments issued (net of transaction costs) or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(d) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(e) 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 is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors for indications of impairment. If any such indications exist, an impairment test is carried out, and any impairment losses on the assets recognised in the income statement. To ensure that costs are not recognised in the balance sheet in excess of their recoverable amounts, the recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposals discounted to their net present value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment is measured initially at cost. Cost includes all directly attributable expenditure incurred including costs to get the asset ready for its use as intended by management. Costs include an estimate of any expenditure expected to be incurred at the end of the asset's useful life, including restoration, rehabilitation and decommissioning costs.

(ii) Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight line basis over their useful lives (commencing from the time the asset is 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 depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

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

Class of Fixed Asset	Depreciation Rate	Method
Plant, Furniture and equipment	10% – 20%	Straight line
Computer equipment	20%	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred back to the income statement as part of the profit or loss on disposal.

(f) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Collectability of trade receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. Trade receivables are generally due for settlement within 30 days.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Notes to the Financial Statements *(cont.)*

For the Year Ended 30 June 2009

1 Statement of Significant Accounting Policies *(cont.)*

(f) Financial instruments *(cont.)*

(iii) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities depending on the purpose for which the liability was acquired.

The Group's financial liabilities include trade and other payables.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

(iv) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost. These amounts are unsecured and are usually paid within 45 days of recognition.

(v) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(vi) Fair value

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the balance sheet and notes to the financial statements. Fair value is defined as the amount that could be exchanged for an asset between knowledgeable willing parties in an arm's length transaction.

(vii) Available for sale financial assets

Available for sale financial assets, comprising principally units in unlisted registered schemes, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included as non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available for sale financial assets are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. Changes in fair value are recognised directly in equity in an available for sale assets revaluation reserve.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available for sale are not reversed through the income statement.

(viii) Shares in controlled entities

Shares in controlled entities are measured at cost less, where applicable, any impairment losses.

(g) Impairment of assets

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. For assets where 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 income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the revaluation reserve relates to that asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal is recognised as a revaluation increase.

(h) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(i) Equity-settled compensation

The Group operates a share based compensation scheme.

Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

(j) 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 result and that the outflow can be reliably measured.

(k) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised 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, and on unused tax losses. No deferred tax assets or liabilities will be recognised from the initial recognition of an asset or liability excluding a business combination, which at the time of the transaction did not affect either 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 recognised in the income statement except where it relates to items which are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The Directors have elected for those entities within the Consolidated Entity that are wholly-owned Australian resident entities to be taxed as a single entity from July 1 2005. The Parent Entity within the tax consolidated group for the purposes of tax consolidation is Praemium Ltd.

Praemium Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Praemium Limited and each of the entities within the tax consolidated group account for their own current and deferred tax amounts. These amounts are measured as if each entity in the Group continues to be a stand alone tax payer in its own right.

Notes to the Financial Statements *(cont.)*

For the Year Ended 30 June 2009

1 Statement of Significant Accounting Policies *(cont.)*

(k) Income tax *(cont.)*

In addition to its own current and deferred tax amounts, Praemium Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Entities within the tax consolidated group have entered into a tax funding agreement with the head entity. Under the terms of this agreement, each of the wholly-owned entities within the tax consolidated group has agreed to fully compensate Praemium Limited for any current tax payable assumed and are compensated by Praemium Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Praemium Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(l) Leases

Leases of fixed assets where substantially all the risks and rewards incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised at the inception of the lease by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property and the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

The interest expense is recognised in the income statement so as to achieve a constant periodic rate of interest on the remaining balance of the liability outstanding.

Leased assets are depreciated on a straight line basis over the shorter of the asset's useful life and the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the income statement on a straight line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the lease term.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the rendering of services is recognised in the accounting period in which the services are rendered. When revenue is received but services not rendered at balance date the receipt is recorded in the balance sheet as unearned income.

Interest revenue is recognised on a proportional basis using the effective interest rate in relation to the outstanding financial asset.

Dividends are recognised as revenue when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST), returns, trade allowances and other duties and taxes paid.

Revenue in the form of grant income is recognised when earned and receivable.

(n) Foreign currency translation

(i) Functional and presentation currency

The functional currency of each of the Group's entities is identified as the currency of the primary economic environment in which that entity operates, and is used in the recognition of transactions and balances for that entity. Where the functional currency of a group entity is different from the parent's functional currency, the entity has been translated for consolidation using the method described below for 'Group entities'.

The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

(ii) Group entities

The financial results and position of all Group entities 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 the balance sheet date;
- income and expenses are translated at the rate on the date of the transaction, or an average exchange rate for the period (if the average approximates the actual rate for that period); and
- retained earnings are translated at the respective historical exchange rate.

Exchange differences arising on translation of Group entities from a different functional currency are recognised directly in a foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the entity is disposed. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(iii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the spot rate on balance sheet date. Non monetary items measured at historical cost are not retranslated. 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 income statement.

Exchange differences on translation of non-monetary items are recognised directly in equity.

(o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(p) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the 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 weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except,

1. where the amount of the GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense: or
2. for receivable and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(s) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. (Refer Note 3 & 20)

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2009

1 Statement of Significant Accounting Policies (cont.)

(t) Accounting standards and interpretations issued but not yet effective and not yet adopted

The following new accounting standards, amendments to standards and interpretations have been issued, but are not mandatory as at 30 June 2009. They may impact the Consolidated Entity in the period of initial application. They are available for early adoption, but have not been applied in preparing this financial report:

AASB 2008-1: Amendments to AASB 2 – Share-based Payments – Vesting Conditions and Cancellations (issued February 2008)

The definition of vesting conditions has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty. This is to ensure that conditions other than performance conditions do not result in a 'true up' of the share-based payment expense and are treated in a manner similar to market conditions. AASB 2008-1 will be applied for periods commencing on or after 1 January 2009.

To date the entity has not issued any options to employees that include non-vesting conditions and as such there will be no impact on the financial statements when this revised standard is adopted for the first time.

AASB 101: Presentation of Financial Statements (issued September 2007)

The revised AASB 101 includes some amendments to presentation and naming of the financial statements. AASB 101 is applicable for annual reporting periods commencing on or after 1 January 2009. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements, however, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.

AASB 8: Operating Segments and AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 8 (issued February 2007)

AASB 8 replaces the disclosure requirements of segment reporting in AASB 114: Segment Reporting. AASB 2007-3 makes consequential amendments to 10 other standards as a result of the adoption of AASB 8. These standards are applicable to annual reporting periods commencing on or after 1 January 2009. Application will not affect any of the amounts recognised in the financial report, but will require disclosures in relation to operating segments instead of business and geographical segments.

AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments (issued April 2009)

AASB 2009-2 requires additional disclosures about financial instrument fair values and liquidity risk. It is applicable for annual reporting periods commencing on or after 1 January 2009. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about fair values of financial instruments and the Group's liquidity risk. No comparative disclosures are required in the first year that these amendments are applied.

(v) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments 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.

Impairment of shares in subsidiaries and loans receivable from subsidiaries

In the 2008 and 2009 financial reports, the Parent Entity made a significant judgment about the impairment of its investment in shares in subsidiaries and loans receivable from subsidiaries. These items do not affect the Group.

The Parent Entity follows the guidance of AASB 136 in determining when shares in subsidiaries are impaired and *Impairment of Assets* AASB 139 *Financial Instruments: Recognition and Measurement* in determining when loans receivable from subsidiaries are impaired. This determination requires significant judgment. In making this judgment, the Directors have evaluated the expected future cash flows of the subsidiaries.

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may indicate impairment triggers.

In the 2008 financial year, these assets were judged not to be impaired. In the 2009 financial year, the loan receivable from Praemium Limited (UK) was judged to be impaired by \$5,050,879 and is recognised as an impairment loss in the income statement of the parent. Shares in the subsidiary, Praemium Portfolio Services Limited (UK) of \$4,872,896 were judged not to be impaired by calculating the recoverable amount of this investment on a fair value less cost of sale basis.

See Note 12 for further details on Impairment assumptions in respect of the loan receivable.

Impairment of available-for-sale financial assets

In the 2008 and 2009 financial reports, the Group and the Parent Entity made a significant judgment about the impairment of its available-for-sale financial assets.

The Group follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* in determining when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

In the 2008 financial year, these assets were judged not to be impaired. If the decline in fair value below cost had been considered to be significant or prolonged, the Group and the Parent Entity would have suffered an additional loss of \$99,307 in the 2008 financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the income statement.

In the 2009 financial year, the fair value of the assets has declined further below cost and this decline is considered to be both significant and prolonged. Accordingly, the cumulative difference of \$168,548 of fair value below cost has been recognised as an impairment loss in the income statement for the Group and the Parent Entity.

2 Financial Risk Management

The Group is exposed to risks that arise from the use of its financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash at bank and on deposit
- Trade and other payables
- Intercompany receivables
- Investments in unlisted unit trusts.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk arises from the Parent Entity and Group's trade receivables, other receivables, receivables from subsidiaries and cash at bank and on deposit. The maximum amount of credit risk is the balance sheet carrying values.

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2009

2 Financial Risk Management (cont.)

Trade receivables

Clients of the Group range from financial advisors, brokers to accountants. In the majority of new client 'sign ons', clients are required to prepay their first year's service before they can start utilising the Group's products. The reduction of risk concentration is due principally to the number of independent operators whom have entrenched the Praemium system within their everyday business process.

Clients who subsequently fail to meet their credit terms are at risk of having their services "switched off".

The Board receives monthly reports summarising trade receivables balances, and aging profiles of the total trade receivables. There have been no changes from previous periods.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least three months. The Group also seeks to reduce liquidity risk by ensuring that its cash deposits are earning interest at the best rates.

At the balance sheet date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. There have been no changes from previous periods.

As at 30 June 2009, financial liabilities have contractual maturities which are summarised below:

	Current		Non-current	
	Within 6 months \$	6 to 12 months \$	1 to 5 years \$	Later than 5 years \$
Consolidated 2009				
Trade payables	975,364	120	567	-
Accrued expenses	538,638	-	-	-
Other payables	1,216,437	-	-	-
Total	2,730,439	120	567	-
Consolidated 2008				
Trade payables	1,043,502	20,637	-	-
Accrued expenses	390,692	-	-	-
Other payables	224,450	-	-	-
Total	1,658,644	20,637	-	-
Parent Entity 2009				
Trade payables	80,745	120	-	-
Accrued expenses	133,001	-	-	-
Other payables	262,892	-	-	-
Total	476,638	120	-	-
Parent Entity 2008				
Trade payables	290,674	4,485	-	-
Accrued expenses	79,592	-	-	-
Other payables	139,081	-	-	-
Total	509,347	4,485	-	-

The contractual amounts of financial liabilities in the tables above are equal to their carrying values. Differences from balance sheet amounts reflect the exclusion of statutory charges from the definition of financial liabilities.

Market risk

Market risk arises from the Group's use of financial instruments, including interest bearing and foreign currency financial deposits and investment in unlisted trusts. It is the risk that the fair value or future cash flows of the financial instruments will fluctuate as a result of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

The Parent Entity and Group invest surplus cash in major Australian and UK banks and in doing so are exposed to fluctuations in interest rates that are inherent in such a market. The Parent Entity and Group have no borrowings.

The Parent Entity and Group's interest rate risk arises from:

- Bank balances which gives rise to interest at floating rates
- Cash on term deposit, which are at floating rates.

The Parent Entity also receives interest at floating rates on a non-current loan receivable from a controlled entity, Praemium Limited (UK).

The amounts subject to cash flow interest rate risk are the balance sheet carrying amounts of these items.

The Group's policy is to minimise interest rate cash flow risk exposures on surplus funds by ensuring deposits attract the best available rate. There have been no changes from previous periods.

Cash flow interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +100 basis points and -100 basis points (2008: +/-100 basis points), with effect from the beginning of the year. These changes are considered reasonably possible based on observation of current market conditions.

The calculations are based on the Group's financial instruments held at each balance sheet date.

	2009 \$		2008 \$	
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Consolidated				
Cash and cash equivalents	93,523	(93,523)	130,858	(130,858)
Net result	93,523	(93,523)	130,858	(130,858)
Parent entity				
Cash and cash equivalents	403	(403)	37,440	(37,440)
Other receivables – non-current	56,201	(56,201)	119,776	(119,776)
Net result	56,604	(56,604)	157,216	(157,216)

Currency risk

The Group's policy is, where possible, to allow controlled entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where controlled entities have liabilities denominated in a currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analysed by the geographical region's cash balances, commitments and receipts, converted to the Group's main functional currency, AUD.

The Parent Entity and Group are exposed to currency risk on cash at bank and on deposit in sterling to fund its UK operations.

The Parent Entity is also exposed to currency risk on sterling denominated loans to its UK entities. There have been no changes from previous periods.

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2009

2 Financial Risk Management (cont.)

Exposure to currency risk

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

Nominal amounts	2009 GBP \$	2008 GBP \$
Consolidated		
Cash at bank and on term deposit	513,216	10,539
Parent entity		
Cash at bank and on term deposit	513,216	10,539
Other non-current receivables	10,408,892	11,285,981

Currency risk sensitivity analysis

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the UK GBP sterling and Australian dollar exchange rate.

It assumes a +/- 5% change in the Australian dollar/GBP sterling exchange rate for the year ended at 30 June 2009 (2008: 5%). This percentage has been determined based on average market volatility in exchange rates in the previous 12 months.

The sensitivity analysis is based on the Group's foreign currency financial instruments held at each balance sheet date. This assumes that other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

If the Australian dollar had strengthened against the GBP sterling by 5 % (2008: 5%) then this would have had the following impact on profit and other equity:

	2009 \$	2008 \$
Consolidated		
Profit after tax	(25,661)	(527)
Other equity	(495,933)	(537,690)
Parent entity		
Profit after tax	(521,594)	(573,372)
Other equity	-	-

If the Australian dollar had weakened against the GBP sterling by 5 % (2008: 5%) then this would have had the following impact on profit and other equity:

	2009 \$	2008 \$
Consolidated		
Profit after tax	28,362	582
Other equity	548,136	594,289
Parent entity		
Profit after tax	576,498	594,871
Other equity	-	-

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's and parent entity's exposure to foreign currency risk.

Other price risk

The Parent Entity and Group are exposed to other price risk on its investments in listed unit trusts.

These investments are classified on the balance sheet as available for sale financial assets. As these investments are carried at fair value with changes in fair value recognised in equity, all changes in market conditions, except for impairment, will directly affect equity, but have no effect on profit.

The investments are in a number of different unit trusts with a dominate emphasis on balanced funds that have exposures to a wide range of asset classes and geographical locations. The assets and liabilities within these unit trusts indirectly expose the Parent Entity and Group to interest rate risk, currency risk and equity price risks. It is not considered practicable to 'look through' the unit trusts to analyse these risks in detail. There have been no changes from previous periods.

Other price risk sensitivity analysis

If the fair value of investments in unit trusts increased by 10% (2008: 10%) this would have increased equity for both the Parent Entity and Group by \$14,926 (2008: \$22,700). A decrease of 10% (2008: 10%) would have reduced equity by the same amount. There would be no effect on profit.

3 Revenue

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue from:				
Sales of services	8,501,366	6,375,796	1,343,715	864,663
Administration fee from controlled entity	-	-	498,618	405,949
Interest income from controlled entity	-	-	749,496	869,134
Interest income from other parties	333,345	665,393	272,501	438,319
Unit trust distributions	14,567	25,277	14,567	25,277
Total Revenue	8,849,278	7,066,466	2,878,897	2,603,342

Note 2008 Administration fee from controlled entity has been reclassified by reducing sales of services and reporting on a separate line for consistency with 2009.

4 Other Income

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Research and development tax concession	-	314,646	-	314,646
Grants received	10,043	48,099	10,043	48,099
Sub-lease rental	62,644	33,374	62,644	33,374
Other	27,164	13,899	-	-
	99,851	410,018	72,687	396,119

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2009

5 Expenses

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Finance costs	1,899	467	16	259
Defined contribution superannuation expense	847,779	802,668	334,578	354,611
Net foreign exchange losses	22,511	206,584	565,690	1,775,032
Depreciation of plant and equipment	587,959	517,011	348,128	300,421
Amortisation of intangible assets	-	1,114	-	1,114
Total depreciation and amortisation	587,959	518,125	348,128	301,535
Loss on disposal of available-for-sale financial assets – unit trusts	5,717	17,413	5,717	17,413
Rental expense relating to operating leases – minimum lease payments	769,401	813,711	165,377	149,683
Loss on disposal of plant and equipment	972	124,389	-	124,389
Impairment losses – available-for-sale financial assets (includes \$99,307 removed from equity – refer Note 9)	168,548	-	168,548	-
Impairment losses – amounts receivable from subsidiaries	-	-	5,050,879	-
Impairment losses – trade receivables	11,028	10,500	-	-

6 Income Tax Expense

(a) Numerical reconciliation of income tax expenses to prima facie tax payable

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Profit/(loss)	(10,917,219)	(10,687,427)	(12,603,636)	(7,417,905)
Prima facie tax expense/(income) on loss before income tax at 30% (2008: 30%)	(3,275,166)	(3,206,228)	(3,781,091)	(2,225,371)
Add:				
Tax effect of:				
Non allowable deductions	9,243	38,059	8,366	7,880
Director and employee option expense	53,709	5,633	39,049	4,402
	(3,212,214)	(3,162,536)	(3,733,676)	(2,213,089)
Difference in overseas tax rates	110,553	-	-	-
Current year tax losses not brought to account	2,910,925	2,889,184	2,117,038	1,768,463
Current year temporary differences not brought to account	190,736	273,352	1,616,638	444,626
Income Tax Expense	-	-	-	-

(b) Deferred tax assets not brought to account

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Unused tax losses for which no deferred tax asset has been recognised	28,654,521	17,346,436	12,969,096	5,770,053
Deductible temporary differences for which no deferred tax asset has been recognised	9,736,122	5,126,440	10,011,512	4,291,603
	38,390,643	22,472,876	22,980,608	10,061,656
Potential tax benefit @ 30%	11,517,193	6,741,863	6,894,182	3,018,497

A deferred tax asset has not been recognised in respect of temporary differences of \$1,064,795 (2008: \$99,307) arising as a result of the translation of the financial statements of the consolidated entity's subsidiaries in the United Kingdom. The deferred tax asset will only arise in the event of disposal of the subsidiaries, and no such disposal is expected in the foreseeable future.

The benefit of the tax losses will only be realised if:

- (i) the Parent Entity and Group derive future assessable income of a nature and amount sufficient to enable the benefit of the taxation deductions to be realised;
- (ii) the Parent Entity and Group continue to comply with the conditions for deductibility imposed by law; and
- (iii) there are no changes in taxation legislation adversely affecting the Parent Entity and Group in realising the benefit.

7 Cash and Cash Equivalents

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash on hand	667	682	411	353
Bank balances	5,106,246	13,075,306	(473,377)	3,733,421
Cash on term deposit	513,216	10,539	513,216	10,539
	5,620,129	13,086,527	40,250	3,744,313

Bank balances include a cash management account held in Australia which bears a weighted average effective interest rate of 2.56% (2008: 6.49%), and deposits on call held in Australia and denominated in GBP, which bears a weighted average effective interest rate of 0.22% (2008: 5.38%). Cash on term deposit relates to GBP which matures on a monthly rolling basis.

Cash on hand is non interest bearing.

The Parent Entity bank balance for 2009 includes a joint account with a controlled entity, Praemium Australia Pty Ltd. The overall account balance is positive.

(a) Reconciliation of Cash

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	5,620,129	13,086,527	40,250	3,744,313
	5,620,129	13,086,527	40,250	3,744,313

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2009

8 Trade and Other Receivables

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade receivables	1,488,672	884,073	-	-
Provision for impairment of receivables	(26,528)	(15,500)	-	-
	1,462,144	868,573	-	-
Prepayments	835,600	691,648	193,175	286,424
Deposits receivable	316,536	327,429	200	200
Goods and Services Tax (receivable)	-	31,437	39,146	65,880
Other receivables	363,742	229,285	363,263	229,285
	1,515,878	1,279,799	595,784	581,789
	2,978,022	2,148,372	595,784	581,789

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short term nature of the balances.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable in the financial statements. The Group does not hold any collateral as security over any receivable balance. Refer to Note 2 for the policies and processes for credit risk on trade receivables.

The average credit period on trade receivables is 30 days. No interest is charged on trade or other receivables.

Impaired receivables

The Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of \$26,528 (2008: \$15,500) has been recorded accordingly. The impaired trade receivables are mostly due from Praemium Australia Pty Ltd's smaller customers that are experiencing financial difficulties.

There are no other impaired trade receivables in any of the Group's subsidiaries.

The aging of these impaired receivables is:

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Not more than 3 months	-	-	-	-
More than 3 months but not more than 6 months	26,528	15,500	-	-
More than 6 months but not more than 1 year	-	-	-	-
More than one year	-	-	-	-
Total	26,528	15,500	-	-

In addition, some of the unimpaired trade receivables are past due as at the reporting date. These relate to clients who have a good credit history with Praemium Australia Pty Ltd.

The age of trade receivables past due but not impaired is as follows:

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Not more than 3 months	1,128,318	843,355	-	-
More than 3 months but not more than 6 months	352,087	38,171	-	-
More than 6 months but not more than 1 year	8,267	2,547	-	-
More than one year	-	-	-	-
Total	1,488,672	884,073	-	-

Impaired receivables (cont.)

A reconciliation of the movement in the provision for impairment of receivables is shown below:

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
At 1 July	15,500	5,000	-	-
Provision for impairment recognised in the year	11,028	10,500	-	-
Receivables written off as uncollectible	-	-	-	-
Unused amount reversed	-	-	-	-
Balance at 30 June	26,528	15,500	-	-

There are no other impaired assets within other receivables and it is expected that other receivable balances will be received when due.

9 Financial Assets

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Available for sale financial assets	149,258	227,002	149,258	227,002
Shares in controlled entities	-	-	4,925,876	4,805,862
	149,258	227,002	5,075,134	5,032,864

(a) Available for sale Financial Assets Comprise

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Listed investments				
Units in unit trusts	149,258	227,002	149,258	227,002
Total available for sale financial assets	149,258	227,002	149,258	227,002

(b) Impairment of available for sale financial assets.

An impairment loss of \$168,548 has been booked to the income statement due to the prolonged decline of the market price of the units. The recoverable amount was calculated on the basis of fair value less costs to sell. Refer to Note 1(v).

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2009

10 Property, Plant and Equipment

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Furniture and equipment at cost	740,129	717,243	312,487	306,429
Accumulated depreciation	(216,139)	(142,901)	(101,696)	(70,447)
Total furniture and equipment	523,990	574,342	210,791	235,982
Computer equipment at cost	2,585,832	2,340,028	1,628,073	1,443,159
Accumulated depreciation	(1,217,999)	(714,685)	(795,286)	(478,407)
Total computer equipment	1,367,833	1,625,343	832,787	964,752
Total property, plant and equipment	1,891,823	2,199,685	1,043,578	1,200,734

	Parent Entity		
	Furniture, Fixtures and Fittings \$	Computer Equipment \$	Total \$

30 June 2009

Balance at 1 July 2008	235,982	964,752	1,200,734
Additions	6,058	189,278	195,336
Disposals	-	(4,364)	(4,364)
Depreciation expense	(31,249)	(316,879)	(348,128)
Balance at 30 June 2009	210,791	832,787	1,043,578

30 June 2008

Balance at 1 July 2007	132,941	889,455	1,022,396
Additions	129,113	474,035	603,148
Disposals	-	(124,389)	(124,389)
Depreciation expense	(26,072)	(274,349)	(300,421)
Balance at 30 June 2008	235,982	964,752	1,200,734

	Consolidated Entity		
	Furniture, Fixtures and Fittings \$	Computer Equipment \$	Total \$

30 June 2009

Balance at 1 July 2008	574,342	1,625,343	2,199,685
Additions	26,441	257,018	283,459
Disposals	-	(5,788)	(5,788)
Depreciation expense	(78,988)	(508,971)	(587,959)
Exchange differences	2,195	231	2,426
Balance at 30 June 2009	523,990	1,367,833	1,891,823

30 June 2008

Balance at 1 July 2007	542,584	1,581,515	2,124,099
Additions	148,653	681,952	830,605
Disposals	-	(124,389)	(124,389)
Depreciation expense	(69,019)	(447,992)	(517,011)
Exchange differences	(47,876)	(65,743)	(113,619)
Balance at 30 June 2008	574,342	1,625,343	2,199,685

11 Intangible Assets

Intangible assets have finite useful lives. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense per the income statement.

(a) Carrying values table

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Licences				
Cost	-	15,761	-	15,761
Accumulated amortisation and impairment	-	(15,761)	-	(15,761)
Net carrying amount	-	-	-	-
Other intangible assets	-	947	-	947
Accumulated amortisation	-	(947)	-	(947)
Net carrying value	-	-	-	-
Total intangibles	-	-	-	-

12 Other Receivables-Non Current

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Amounts receivable from wholly owned subsidiaries:				
Praemium Australia Pty Ltd	-	-	-	5,661,060
Praemium Limited (UK)	-	-	9,318,613	11,972,064
Praemium Portfolio Services Ltd (UK)	-	-	5,699	5,510
	-	-	9,324,312	17,638,634

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable in the financial statements.

The Parent Entity has impaired the receivable from Praemium Ltd (UK) by \$5,050,979 in 2009; in the 2008 financial year, these assets were judged not to be impaired. The events leading to the impairment include the longer than anticipated time taken to obtain approvals from the FSA and the need to restructure the operations of Praemium Ltd (UK). The loan receivable from Praemium Limited (UK) is recognised as an impairment loss in the income statement of the Parent Entity.

The recoverable amount of receivable from Praemium Ltd (UK) is determined based on a value in use discounted cash flow model.

The discount rate used in calculating the impairment was 3.70%.

13 Trade and Other Payables

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Unsecured liabilities				
Trade payables	976,051	1,064,139	80,866	295,159
Accrued expenses	538,638	421,692	133,001	102,238
Good and Services Tax (payable)	307,479	-	-	-
Other payables	1,216,437	650,929	262,891	246,475
Unearned income	2,291,107	12,880	-	-
	5,329,712	2,149,640	476,758	643,872

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2009

14 Provisions

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Current				
Employee entitlements	778,825	492,348	457,241	259,653
	778,825	492,348	457,241	259,653
Non Current				
Employee entitlements	81,742	38,958	59,349	29,945
	81,742	38,958	59,349	29,945

15 Issued Capital

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
2009: 163,791,030 (2008: 163,322,874) fully paid ordinary shares	38,476,239	38,359,200	38,476,239	38,359,200
	38,476,239	38,359,200	38,476,239	38,359,200

(a) Movement in ordinary share capital

Date	Details	Number of shares	Issue price \$	Total \$
30 June 2007	Balance	142,384,607		30,306,672
24 Aug 2007	Option exercise	72,000	0.5000	36,000
24 Aug 2007	Conversion of options to shares	-		2,580
5 Oct 2007	Option exercise	72,000	0.5000	36,000
5 Oct 2007	Conversion of options to shares	-		2,580
6 Oct 2007	Employee share bonus issue	164,269	0.6800	111,703
10 Oct 2007	Option exercise	45,000	0.5000	22,500
10 Oct 2007	Conversion of options to shares	-		1,613
31 Oct 2007	Employee share bonus issue	339,158	0.6985	236,890
13 Feb 2008	Option exercise	162,000	0.5000	81,000
13 Feb 2008	Conversion of options to shares	-		5,806
29 Feb 2008	Shares issued to UK Non-Executive Directors in lieu of part of their director fees	83,840	0.6500	54,496
29 May 2008	Private share placement	20,000,000	0.4000	8,000,000
29 May 2008	Costs associated with private placement	-		(538,640)
30 June 2008	Balance	163,322,874		38,359,200
30 June 2009	Shares issued to UK Non-Executive Directors in lieu of part of their director fees	468,156	0.2500	117,039
30 June 2009	Balance	163,791,030		38,476,239

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group considers its capital to be total equity, which comprises ordinary share capital, available-for-sale financial assets revaluation reserve, foreign currency translation reserve, option reserve and accumulated retained earnings/losses.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth. In making decisions to adjust its capital structure, for instance by issuing new shares, the Group considers not only its short term position but also its long range operational and strategic objectives.

	2009 \$	2008 \$
Share capital	38,476,239	38,359,200
Available-for-sale financial assets revaluation reserve	-	(99,307)
Foreign currency translation reserve	(1,064,795)	(1,025,845)
Option reserve	222,972	27,888
Accumulated losses	(33,185,463)	(22,281,296)
Total capital	4,448,953	14,980,640

(d) Options

Information relating to options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 24.

16 Reserves

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Reserves				
Available-for-sale financial assets revaluation reserve	-	(99,307)	-	(99,307)
Foreign currency translation reserve	(1,064,795)	(1,025,845)	-	-
Option reserve	222,972	27,888	222,972	27,888
Total	(841,823)	(1,097,264)	222,972	(71,419)

(a) Movement in reserves

Movements in reserves are detailed in the statements of changes in equity.

(b) Nature and purpose of reserves

Foreign Currency Translation Reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1 (n). The reserve is recognised in profit and loss when the net investment is disposed of.

Option Reserve

The option reserve records the fair value of options issued.

Revaluation Reserve

The revaluation reserve records the revaluation of available-for-sale financial assets.

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2009

17 Key Management Personnel Disclosures

(a) Directors and key management personnel

Names and positions held of directors and other key management personnel in office at any time during the financial year are:

Directors:	
Arthur Naoumidis	Executive Director & Group CEO
Don Stammer	Chairman & Non-Executive Director
Robert Edgley	Non-Executive Director
Malcolm Taylor	Non-Executive Director (resigned 11 November 2008)
Christine Silcox	Executive Director & Chief Operating Officer & Director Præmium Australia Pty Ltd (resigned as Executive Director 11 November 2008 and remained as Chief Operating Officer)
John Bryson	Non-Executive Director
Cathryn Nolan	Executive Director, Company Secretary & General Counsel

Other Key Management Personnel:

Phillip Ince	Chief Technical Officer
Warren Gibson	Head of Australian Sales & Director Præmium Australia Pty Ltd
Gary Wilson	Executive Director, UK Chief Operating Officer & UK Head of Finance
James Maramis	Head of Institutional Sales & Director Præmium Australia Pty Ltd
Steven Stamboultgis	Chief Financial Officer
John Martin	UK Managing Director

(b) Key management personnel compensation

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Short term employee benefits	2,241,979	2,648,218	1,234,390	1,448,813
Post employment benefits	188,752	237,204	99,110	128,206
Long-term benefits	29,891	11,720	25,596	10,125
Share-based payments	64,508	147,242	18,575	55,985
	2,525,130	3,044,384	1,377,671	1,643,129

Detailed remuneration disclosures are included in the Remuneration Report in the Directors' report.

(c) Option holdings

The number of options held over ordinary shares in the Parent Entity held during the financial year by each Director of Praemium Limited and other key management personnel of the Group are set out in the Directors' Report. As at the date of this report no options have vested.

2009	Balance 1 July 2008	Granted as compensation	Options exercised	Options lapsed	Other	Balance 30 June 2009
Parent Entity Directors						
Robert John Edgley	270,000	-	-	(135,000)	-	135,000
Malcolm Lindsay Taylor ¹	270,000	-	-	(135,000)	(135,000)	-
Christine Silcox ²	198,000	198,000	-	(99,000)	(99,000)	198,000
Donald William Stammer	324,000	-	-	(162,000)	-	162,000
Cathryn Nolan	144,000	-	-	(72,000)	-	72,000
John Bryson	405,000	-	-	-	-	405,000
Other key management personnel						
Phillip Ince	90,000	90,000	-	(45,000)	-	135,000
Warren Gibson	144,000	70,000	-	(72,000)	-	142,000
James Maramis	-	80,000	-	-	-	80,000
Steven Stamboultgis	90,000	171,000	-	(45,000)	(45,000)	171,000
John Martin	-	140,000	-	-	-	140,000
Gary Wilson	-	140,000	-	-	-	140,000
	1,935,000	889,000	-	(765,000)	(279,000)	1,780,000

2008	Balance 1 July 2007	Granted as compensation	Options exercised	Options lapsed	Other	Balance 30 June 2008
Parent Entity Directors						
Robert John Edgley	405,000	-	-	(135,000)	-	270,000
Malcolm Lindsay Taylor	405,000	-	-	(135,000)	-	270,000
Christine Silcox	297,000	-	-	(99,000)	-	198,000
Donald William Stammer	486,000	-	(162,000)	-	-	324,000
Cathryn Nolan	216,000	-	(72,000)	-	-	144,000
John Bryson	-	405,000	-	-	-	405,000
Other key management personnel						
Phillip Ince	135,000	-	-	(45,000)	-	90,000
Warren Gibson	216,000	-	(72,000)	-	-	144,000
Steven Stamboultgis	135,000	-	(45,000)	-	-	90,000
	2,295,000	405,000	(351,000)	(414,000)	-	1,935,000

Options will vest to key management personnel and other executives as detailed in Note 24. If the key management person leaves before their options vest, then they will immediately forfeit them.

No options are vested at the end of the year.

1 Malcolm Lyndsay Taylor resigned as Non Executive Director effective 11 November 2008.

2 Christine Silcox resigned as Executive Director 11 November 2008. However, Ms. Silcox remained as Chief Operating Officer.

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2009

17 Key Management Personnel Disclosures (cont.)

(d) Shareholdings directly and indirectly beneficially held

2009	Balance 1 July 2008	Received as compensation	Received on the exercise of options	Other changes during the year	Balance 30 July 2009
Parent Entity Directors					
Arthur Naoumidis	26,867,497	-	-	-	26,867,497
Malcolm Lindsay Taylor ¹	2,725,001	-	-	637,000	3,362,001
Donald William Stammer	4,659,345	-	-	-	4,659,345
Robert John Edgley	1,600,000	-	-	-	1,600,000
Christine Silcox ²	1,709,000	-	-	-	1,709,000
John Bryson	75,000	-	-	160,000	235,000
Cathryn Nolan	339,500	-	-	-	339,500
Other key management personnel					
Phillip Ince	1,000,000	-	-	-	1,000,000
Warren Gibson	990,000	-	-	(330,000)	660,000
Steven Stamboultgis	397,343	-	-	-	397,343
James Maramis	320,000	-	-	327,314	647,314
John Martin	164,269	-	-	-	164,269
Gary Wilson	-	-	-	-	-
	40,846,955	-	-	794,314	41,641,269

2008	Balance 1 July 2007	Received as compensation	Received on the exercise of options	Other changes during the year	Balance 30 June 2008
Parent Entity Directors					
Arthur Naoumidis	27,367,497	-	-	(500,000)	26,867,497
Malcolm Lindsay Taylor	4,425,001	-	-	(1,700,000)	2,725,001
Donald William Stammer	1,850,000	-	162,000	2,647,345	4,659,345
Robert John Edgley	1,456,500	-	-	143,500	1,600,000
Christine Silcox	1,709,000	-	-	-	1,709,000
John Bryson	75,000	-	-	-	75,000
Cathryn Nolan	267,500	-	72,000	-	339,500
Other key management personnel					
Phillip Ince	1,000,000	20,000	-	(20,000)	1,000,000
Warren Gibson	1,115,000	38,418	72,000	(235,418)	990,000
Steven Stamboultgis	341,828	21,515	45,000	(11,000)	397,343
James Maramis	292,339	27,661	-	-	320,000
Pete Burtonshaw ³	979,040	-	-	-	979,040
John Martin	-	-	-	164,269	164,269
	40,878,705	107,594	351,000	488,696	41,825,995

1 Malcolm Lyndsay Taylor resigned as Non Executive Director effective 11 November 2008.

2 Christine Silcox resigned as Executive Director 11 November 2008. However, Ms. Silcox remained as Chief Operating Officer.

3 Mr Pete Burtonshaw ceased to be a Director and employee of Præmium Ltd (UK) in April 2008.

18 Auditors' Remuneration

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$

Remuneration of the auditor of the consolidated entity for:

Audit and review of financial reports	62,000	42,000	62,000	42,000
- Internal controls review	105,000	105,000	-	-
- Taxation services	25,000	22,000	25,000	22,000
	192,000	169,000	87,000	64,000

Remuneration paid to other auditors for:

- Audit and review of financial reports	41,051	23,525	-	-
- Taxation services	72,865	49,041	-	-
	113,916	72,566	-	-

19 Capital and Leasing Commitments

(a) Capital expenditure commitments

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$

Capital expenditure commitments contracted for:

Property, plant and equipment	287,000	414,000	287,000	414,000
	287,000	414,000	287,000	414,000

Payable:

between 12 months and 5 years	287,000	414,000	287,000	414,000
	287,000	414,000	287,000	414,000

(b) Operating lease commitments

Non cancellable operating leases contracted for but not capitalised in the financial statements

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$

Payable minimum lease payments

Not later than 12 months	795,149	681,730	171,203	171,468
Between 12 months and 5 years	2,131,496	2,060,776	370,590	458,215
	2,926,645	2,742,506	541,793	629,683

Operating lease commitments relate to rental commitments for office premises in Melbourne, Sydney, Brisbane, Adelaide and London expiring within three to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess space is sub-let to third parties also under non-cancellable operating leases.

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2009

20 Segment Reporting

The group operated in two geographic areas during the year, Australia and the United Kingdom.

	Australia 2009 \$	United Kingdom 2009 \$	Consolidated Entity 2009 \$
Revenue			
Sales of services – external customers	8,358,210	143,156	8,501,366
Intersegment sales	498,618	2,975,130	3,473,748
Total sales revenue	8,856,828	3,118,286	11,975,114
Other revenue	289,578	58,334	347,912
Total segment revenue	9,146,406	3,176,620	12,323,026
Intersegment elimination			(3,473,748)
Total revenue			8,849,278
Result			
Net profit/(loss) for the year	(4,629,940)	(6,287,279)	(10,917,219)
Assets			
Segment assets	7,922,715	2,716,517	10,639,232
Total assets			10,639,232
Liabilities			
Segment liabilities	4,422,746	1,767,533	6,190,279
Total liabilities			6,190,279
Other			
Acquisitions of plant and equipment	190,870	92,589	283,459
Depreciation and amortisation expense	405,356	182,603	587,959
Impairment of available for sale financial assets	168,548	-	168,548

	Australia 2008 \$	United Kingdom 2008 \$	Consolidated Entity 2008 \$
Revenue			
Sales of services – external customers	6,248,217	127,579	6,375,796
Intersegment sales	405,949	2,139,002	2,544,951
Total sales revenue	6,654,166	2,266,581	8,920,747
Other revenue	475,863	214,807	690,670
Total segment revenue	7,130,029	2,481,388	9,611,417
Intersegment elimination			(2,544,951)
Total revenue			7,066,466
Result			
Net profit/(loss) for the year	(4,376,405)	(6,311,022)	(10,687,427)
Assets			
Segment assets	12,113,840	5,547,746	17,661,586
Total assets			17,661,586
Liabilities			
Segment liabilities	1,546,606	1,134,340	2,680,946
Total liabilities			2,680,946
Other			
Acquisitions of plant and equipment	731,476	99,129	830,605
Depreciation and amortisation expense	352,357	165,768	518,125

No secondary segment information is presented as the Group has only one business segment, the provision of a technology solution for the administration, reporting and management of investment assets.

Note 2008 Intersegment elimination has been reclassified by increasing Australian Intersegment sales and Intersegment elimination.

21 Controlled Entities and Related Party Transactions

Name	Country of incorporation	Percentage Owned	
		2009	2008
Parent Entity:			
Praemium Limited	Australia		
Subsidiaries of Parent Entity:			
Praemium Australia Pty Ltd	Australia	100%	100%
Praemium Limited	United Kingdom	100%	100%
Praemium Portfolio Services Ltd	United Kingdom	100%	100%
SMARTfund Administration Ltd	United Kingdom	100%	100%

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2009

21 Controlled Entities and Related Party Transactions (cont.)

	Parent Entity	
	2009 \$	2008 \$
Aggregate amount of transactions with subsidiaries:		
Loans made to subsidiaries	4,037,929	4,342,439
Sales of services to subsidiaries	498,618	405,949
Purchases of services from subsidiaries	2,975,130	2,139,002
Interest receivable from subsidiaries	749,496	869,134
Bad or doubtful debts due from subsidiaries:		
Impairment of loans to subsidiaries	5,050,879	-
Outstanding balances at year end with subsidiaries:		
Non-current receivables	9,324,312	17,638,634

22 Events After the Balance Sheet Date

- (a) Since 30 June 2009, the Directors have not become aware of any matter or circumstance not otherwise dealt with in the financial statements that has significantly affected or may significantly affect the operations of the Parent Entity or the Consolidated Entity, the results of those operations or the state of affairs in subsequent financial years.
- (b) The financial report was authorised for issue on 29 September 2009 by the Board of Directors.

23 Cash Flow Information

(a) Reconciliation of cash flow from operations with profit after income tax

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Net income/loss for the period	(10,917,219)	(10,687,427)	(12,603,636)	(7,417,905)
Unit trust distributions	(14,567)	(25,277)	(14,567)	(25,277)
Non cash flows in profit from ordinary activities				
Amortisation	-	1,114	-	1,114
Depreciation	587,959	517,011	348,128	300,421
Option expense	204,985	18,777	87,133	14,673
Shares issued as employee bonus	117,039	348,592	-	348,592
Unrealised foreign exchange loss	22,511	206,584	565,690	1,775,032
Loss on disposal of plant and equipment	972	124,389	-	124,389
Impairment of available-for sale investments	168,548	-	168,548	-
Impairment of intercompany receivables	-	-	5,050,879	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and other receivables	(721,586)	(87,365)	143,095	(1,939,152)
Increase/(decrease) in trade payables and accruals	3,070,606	78,213	(13,850)	59,164
Increase/(decrease) in employee provisions	329,261	168,062	226,992	107,418
Net cash (used by) /provided from operating activities	(7,151,491)	(9,337,327)	(6,041,588)	(6,651,531)

24 Share based Payments

(a) Director and specified executive option plan

Praemium Limited offered options to Directors and specified Executives.

The Options were allotted on 11 May 2006 being the date the Parent Entity's securities were first listed on the ASX.

Each Option entitles the holder to purchase one fully paid ordinary share in the capital of the company upon payment of the relevant exercise price.

The Options were allotted in three series, each having a different exercise price, vesting date and expiry date. Each recipient of options received one third of their allotment as series 1, one third as series 2 and one third as series 3 options. The differences between the three series are outlined below:

2nd Series -

Exercise Price:	\$0.62 (being a premium to the IPO Issue Price of 54%)
Vesting Date	24 months after listing date of 11 May 2006
Expiry Date	36 months after listing date of 11 May 2006

3rd Series -

Exercise Price:	\$0.78 (being a premium to the IPO Issue Price of 95%)
Vesting Date	36 months after listing date of 11 May 2006
Expiry Date	48 months after listing date of 11 May 2006

On 7 August 2007 the following options were allotted:

The Options were allotted in three series, each having a different exercise price, vesting date and expiry date. Each recipient of options received one third of their allotment as series 1, one third as series 2 and one third as series 3 options. The differences between the three series are outlined below:

1st Series -

Exercise Price:	\$1.08
Vesting Date	12 months after allotted date of 7 August 2007
Expiry Date	24 months after allotted date of 7 August 2007

2nd Series -

Exercise Price:	\$1.32
Vesting Date	24 months after allotted date of 7 August 2007
Expiry Date	36 months after allotted date of 7 August 2007

3rd Series -

Exercise Price:	\$1.67
Vesting Date	36 months after allotted date of 7 August 2007
Expiry Date	48 months after allotted date of 7 August 2007

Notes to the Financial Statements *(cont.)*

For the Year Ended 30 June 2009

24 Share based Payments *(cont.)*

(a) Director and specified executive option plan *(cont.)*

On October 10 2008 the following options were issued:

The options were allotted in two series, each having a different exercise price, vesting date and expiry date. The majority of staff received their options equally in two series. The differences between the two series are outlined below:

1st Series -

Exercise Price:	\$0.25
Vesting Date	10 October 2008
Expiry Date	12 months after allotted date of 10 October 2008

2nd Series -

Exercise Price:	\$0.30
Vesting Date	10 October 2009
Expiry Date	24 months after allotted date of 10 October 2008

On December 31 2008 the following options were issued:

The options were allotted in three series, each having a different exercise price, vesting date and expiry date. The majority of staff received their options equally in two series whilst one staff member received an additional series. The differences between the three series are outlined below:

1st Series -

Exercise Price:	\$0.25
Vesting Date	31 December 2008
Expiry Date	12 months after allotted date of 31 December 2008

2nd Series -

Exercise Price:	\$0.30
Vesting Date	31 December 2009
Expiry Date	24 months after allotted date of 31 December 2008

3rd Series -

Exercise Price:	\$0.35
Vesting Date	31 December 2010
Expiry Date	36 months after allotted date of 31 December 2008

The options may only be exercisable after the relevant vesting date and prior to the expiry date if the volume weighted average price at which the Parent Entity's shares are traded on market for a period of 10 trading days or more is greater than the exercise price.

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Parent Entity will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue assuming they have vested at that time.

If at any time the issued capital of Præmium Limited is reconstructed, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules.

Set out below are summaries of unvested options granted under the plan:

Consolidated and Parent Entity – 2009								
Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
11 May 2006	10 May 2009	\$0.62	765,000	-	-	765,000	-	-
	10 May 2010	\$0.78	765,000	-	-	279,000	486,000	486,000
07 August 2007	06 August 2009	\$1.08	135,000	-	-	-	135,000	135,000
	06 August 2010	\$1.32	135,000	-	-	-	135,000	-
	06 August 2011	\$1.67	135,000	-	-	-	135,000	-
10 October 2008	9 October 2009	\$0.25	-	1,662,801	-	-	1,662,801	1,662,801
	9 October 2010	\$0.30	-	1,580,796	-	-	1,580,796	-
31 December 2008	30 December 2009	\$0.25	-	312,200	-	-	312,200	312,200
	30 December 2010	\$0.30	-	716,667	-	-	716,667	-
	30 December 2011	\$0.35	-	62,286	-	-	62,286	-
			1,935,000	4,334,750	-	1,044,000	5,225,750	2,596,001
Weighted average exercise price			\$0.84	\$0.28	\$0.00	\$0.66	\$0.41	\$0.39

Consolidated and Parent Entity – 2008								
Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
11 May 2006	10 May 2008	\$0.50	765,000	-	(351,000)	(414,000)	-	-
	10 May 2009	\$0.62	765,000	-	-	-	765,000	765,000
	10 May 2010	\$0.78	765,000	-	-	-	765,000	-
07 August 2007	06 August 2009	\$1.08	-	135,000	-	-	135,000	-
	06 August 2010	\$1.32	-	135,000	-	-	135,000	-
	06 August 2011	\$1.67	-	135,000	-	-	135,000	-
			2,295,000	405,000	(351,000)	(414,000)	1,935,000	765,000
Weighted average exercise price			\$0.633	\$1.36	\$0.50	\$0.50	\$0.84	\$0.62

The weighted average share price at the date of exercise of options that were exercised during the year ended 30 June 2009 was \$nil (2008 \$0.649).

The weighted average remaining contractual life of options outstanding at the end of the year was 0.90 years (2008: 1.51 years).

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2009

24 Share based Payments (cont.)

(b) Shares issued as employee bonus

Shares were issued during the period as an employee bonus. These were measured at the quoted market price of the shares.

	Number issued	Value \$	Weighted average fair value \$
Consolidated and Parent Entity – 2009	468,156	117,039	0.250
Consolidated and Parent Entity – 2008	503,427	348,592	0.692

(c) Expenses arising from share based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee costs were as follows:

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Options issued under employee option plan	204,985	18,777	87,133	14,673
Shares issued to UK Non-Executive Directors in lieu of part of their Director fees	117,039	348,592	-	348,592
	322,024	367,369	87,133	363,265

25 Earnings per Share

(a) Reconciliation of earnings to profit or loss

	Consolidated Entity	
	2009 \$	2008 \$
Profit/(loss)	(10,917,219)	(10,687,427)
Earnings used to calculate basic EPS	(10,917,219)	(10,687,427)
Earnings used in calculation of diluted EPS	(10,917,219)	(10,687,427)

(b) Weighted average number of ordinary shares (diluted):

	Consolidated Entity	
	2009	2008
Weighted average number of ordinary shares outstanding during the year.		
Number used in calculating basic EPS	163,324,157	144,720,673
Number used in calculating diluted EPS	163,324,157	144,720,673

5,225,750 (2008: 1,935,000) options outstanding are not included in the calculation of diluted earnings per share because they are antidilutive for the years ended 30 June 2009 and 2008. This is because conversion to ordinary shares would decrease the loss per share.

26 Company Details

Registered office

The registered office of the Parent Entity is: **Praemium Limited**, Level 1, 406 Collins Street, Melbourne, Victoria 3000

Auditor's Independence Declaration



Grant Thornton
ABN 13 871 256 387

Level 2
215 Spring Street
Melbourne
Victoria 3000
GPO Box 4984WW
Melbourne
Victoria 3001

T +61 3 8663 6000
F +61 3 8663 6333
E info@grantthorntonvic.com.au
W www.grantthornton.com.au

Auditor's Independence Declaration To the Directors of Praemium Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Praemium Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON
Chartered Accountants

B. L. Taylor
Partner

Dated this 29th day of September 2009
Melbourne, Australia

Independent Audit Report



Grant Thornton
ABN 13 871 256 387

Level 2
215 Spring Street
Melbourne
Victoria 3000
GPO Box 4984WW
Melbourne
Victoria 3001

T +61 3 8663 6000
F +61 3 8663 6333
E info@grantthorntonvic.com.au
W www.grantthornton.com.au

Independent Auditor's Report To the Members of Praemium Limited

Report on the Financial Report

We have audited the accompanying financial report of Praemium Limited, (the company) which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 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. In Note 1, the directors also state, 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. These Auditing Standards require that we 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.

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 opinions.

Independence

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

Auditor's opinion

In our opinion:

- a. the financial report of Praemium Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their 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 Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 22 to 25 of the directors' report for the year ended 30 June 2009. 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.

Auditor's opinion

In our opinion the Remuneration Report of Praemium Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON
Chartered Accountants



B. L. Taylor
Partner

Dated this 29th day of September 2009
Melbourne, Australia

Corporate Directory

Registered Office – Melbourne

Level 1, Præmium House
406 Collins Street
Melbourne VIC 3000

Telephone: 03 8622 1222

Websites: www.praemium.com.au
www.praemium.co.uk

Sydney Office

Level 30, 9 Castlereagh Street
Sydney NSW 2000

Telephone: 02 9222 8500

Adelaide Office

Level 16, 211 Victoria Square
Adelaide SA 5000

Telephone: 03 8622 1222

Brisbane Office

Level 18, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Telephone: 07 3226 8000

Præmium UK

6 Broad Street Place
London UK EC2M 7JH

Telephone: +44 20 7562 2450

Share Registry

Link Market Services

Locked Bag A14
Sydney South NSW 1235

Telephone: 1300 554 474

Australian Auditor

Grant Thornton

Level 2, 215 Spring Street
Melbourne VIC 3000

Telephone: 03 8663 6000

UK Auditor

Mazars

Tower Bridge House
St Katharine's Way
E1W 1DD London
United Kingdom

Telephone: +44 20 7063 4000

Australian Solicitors

DLA Phillips Fox

Level 21, 140 William Street
Melbourne VIC 3000

Telephone: 03 9274 5000

Logie Smith Lanyon

Level 13, 575 Bourke Street
Melbourne VIC 3000

Telephone: 03 9620 0700

UK Solicitors

Wragge & Co

3 Waterhouse Square
142 Holborn
London EC1N 2SW

Telephone: +44 87 0903 1000