



2010 Annual Report

27 September 2010

Please find attached the Praemium Limited Annual Report for the financial year ending 30 June 2010.

About Praemium: Praemium Ltd (ASX:PPS) is one of Australia's leading suppliers of online financial portfolio administration and Separately Managed Account (SMA) technology, administering over AUD 39.7 billion* of assets. Praemium currently provides services to more than 500* financial institutions and intermediaries, including some of Australia's largest financial institutions.

*As at 30 June 2010



2010 Annual **Report**

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Chairman's Letter to Shareholders



Dear Fellow Shareholder,

The financial year 2009/10 was a difficult twelve months, dominated as it was by continued fallout from the global financial crisis. Levels of investor confidence were low. Financial advisers remained extremely cautious. Share markets were volatile and, for much of the year, directionless.

Despite these challenging conditions, Præmium made good progress in developing its proprietary technology, in building up the client base and in increasing revenues.

Within Australia, we delivered on our commitment to develop our technology for the portfolio administration service (V-Wrap) and for separately managed accounts (SMAs) and to achieve a strong increase in revenues. We also delivered on two major projects: our tax reporting services for E*TRADE and the launch of the Powerwrap service.

In the United Kingdom, where we had transitioned from the development phase to sales and operations at the end of the preceding financial year, we significantly extended our list of clients.

We did find, however, that the continuing strains and uncertainties in investment markets lengthened the lags between our signing on our new UK clients and our receipt of the funds.

Præmium recorded a loss of \$5.72 million over financial year 2009/10. This was a substantial improvement from the preceding year's loss of \$10.92 million and reflected improved revenues from V-Wrap, the SMA and the UK operations as well as containment of the UK cost base following from the restructuring of the UK business.

At 30 June, Præmium held \$5.6 million of cash and the Company has no debt and all development costs are expensed.

The outlook

Our leading-edge proprietary technology positions the Company well to achieve further strong growth of revenues in the 2010-11 financial year and beyond.

We recently launched SMARTwrap which adds a fully functioning wrap platform for managed funds to the full V-Wrap service, along with functionality that allows for trading in both shares and managed funds. SMARTwrap has better corporate action and tax reporting functionality than the existing legacy wrap platforms and is much less costly to use.

We expect further good growth in our UK client base – and also that financial advisers who signed up for our services during 2009/10 will be more active in transferring funds across to our SMARTfund and Discretionary Platform Service *dps*.

The governments of both Australia and the United Kingdom have announced or foreshadowed important – and broadly similar – changes in their regulatory frameworks.

The two governments are aiming to recharge investor confidence in the financial advice they receive and to reduce costs to investors, with deadlines of 1 July 2012 in Australia and December 2012 in the UK.

The key measures include:

- the banning of commissions paid to investment advisers by fund managers in favour of fee-for-service remuneration; and
- the introduction of fiduciary responsibility for advisers formalising their need to put the client's interests first. (In the United Kingdom, this requirement is termed 'Treating Customers Fairly' or TCF).

As Præmium has already built a strong reputation as the platform-of-choice for fee-based financial advisers in Australia, and we have a range of services in both countries that are ideally positioned to meet the new regulatory requirements, the changes will create significant growth opportunities for us.

The further recovery in share markets as the impact of the global financial crisis eases and investor confidence re-builds will also improve our revenues as the size of the funds we administer or manage increase.

Præmium continues to maintain tight control on costs and we are on course to realise substantial revenue leverage from the scalability of our services and from enhanced productivity.

On behalf of the board, I would like to thank our shareholders for their continuing support of the Company. Thank you also to our employees who have put in a tremendous effort over the last year successfully delivering key projects, in servicing our loyal client base and in building up our client base.

I look forward to providing an update on at our Annual General Meeting on 30 November.

A handwritten signature in black ink, appearing to read 'Don Stammer'.

Dr Don Stammer
Chairman

Group CEO's Letter to Shareholders



Dear Fellow Shareholder,

The last financial year has been a very positive one for Præmium. We have continued to improve on all of our key financial and service metrics, which has resulted in a significant improvement in our end of year financial results.

Of our key financial and service metrics:

- Australian V-Wrap revenue increased by 21% to \$9.77 million and EBITDA increased 34% to \$4.4 million (this incorporates V-Wrap Adviser, previously known as p-Desktop).
- V-Wrap continued to increase its footprint, administering 44,167 portfolios with over \$39.7 billion funds under administration, increases of 7% and 26% respectively on the previous financial year.
- SMA funds under management grew to \$497 million, resulting in an increase in SMA revenue to \$446,000.
- UK funds on platform rose to £115.7 million from £11.4 million the previous year, resulting in UK revenue of approximately \$835,000.

In addition to these metrics, key achievements for the 2009/10 year included:

- The delivery to E*TRADE Australia of hundreds of thousands of end of year tax reports to its retail online users, and the expansion of this service to include a subscription-based service that offers interactive functionality to help E*TRADE users manage their tax liabilities throughout the tax year.
- The delivery of Powerwrap's wrap offering, including online managed fund trading capability and a soon-to-be launched superannuation offering.
- The demonstrable transition of the UK business from a development phase to sales and operational, including the signing on of many new clients, the launch of new SMARTfund and Discretionary Platform Services (*dps*) and the increasing funds under management.

Præmium ended the 2010 financial year with cash at bank of \$5.6 million and recorded a loss after income tax attributable to the member of the Group of \$5.72 million, approximately half the loss recorded in the previous two financial years.

We also recently announced the very exciting launch of a new service in Australia, SMARTwrap. SMARTwrap is an innovative, fully functioning wrap platform which leverages our existing V-Wrap capabilities and, importantly, is designed to assist advisers as they transition from commission to fee-for-service remuneration models. The launch of this service has been extremely well timed as many adviser firms are assessing their options following the release of the Australian Government's Review into the governance, Efficiency, Structure and Operation of Australia's Superannuation System (better known as the "Cooper Review") and the Government's policy response document "The future of Financial Advice" earlier this year. With commissions expected to be banned and firms struggling to adopt fee-for-service remuneration models, SMARTwrap is ideally positioned to meet this need. SMARTwrap increases the addressable financial planning market for Præmium from the 10% of fee-based financial planners currently targeted by V-Wrap to the remaining 90% of financial planners, and as such is expected to be the primary driver for Præmium's growth in Australia in the next 3-5 years.

We also expect the regulatory changes associated with the Cooper Review, including a legislated fiduciary duty for advisers to put clients' interests first, to re-energise the interest in SMAs. As advisers are forced to consider low cost, professionally managed investment models, SMAs are expected to be the way of future investing. The imminent deployment of Model-of-Model SMAs will also represent a compelling value proposition as they eliminate the requirement for ongoing Statements of Advice, reduce business risk and lead to improved business value.

We do continue to believe the opportunity within the accounting and, in particular, the Self Managed Super Fund (SMSF) segments are strong. We have maintained our market share within this segment over the last year although some of our competitor offerings are gaining ground. We aim to address this by continuing to strengthen our banking and compliance interfaces and seeking to become a more crucial part of the business process for managing these accounts.

Significant opportunity is also available for our UK business as the UK financial services market is undergoing a similar regulatory change to Australia including the banning of commissions by December 2012 and a responsibility to demonstrably Treat Customers Fairly (akin to the fiduciary responsibility anticipated in Australia). These changes are accelerating the industry shift from insurance sales to managed investments. In addition, many advisers are now acknowledging the need to shift away from 'fund picking' and move to more robust, professionally managed investment solutions.

Præmium is well positioned to capitalise on the opportunities created by these changes. Our two core services, SMARTfund and *dps*, are both founded on robust model portfolio approaches that enable advisers to select independent, professional investment managers. They also offer transparent, fee-based remuneration and utilise a well-proven platform that has been delivering services within the UK for 2 years.

We are also excited about the opportunity to access the offshore market via our *dps* service. Our first offering in this space will be launched by Russell Investments, a large global investment manager who will deploy the service to high net worth clients in multiple offshore jurisdictions via a global offshore Trust Company. We have a number of other negotiations in progress to offer similar services offshore and believe this to be a good opportunity for Præmium given it is a large market that is not well serviced by existing platforms.

In summary, we are continuing to achieve strong growth in revenues and expect this trend to continue given the significant opportunities presented by the regulatory changes taking place in both Australia and the UK. The next year should be an exciting one for Præmium as we distribute our SMARTwrap service in Australia and increase the distribution of our UK services to new onshore and offshore market segments.

Thank you to our staff, clients and shareholders for their continuing commitment over the last and coming year. I look forward to providing you with a further update at our Annual General Meeting in November.

Arthur Naoumidis
Group Chief Executive Officer

Praemium Group at a Glance

Praemium has continued to achieve positive growth in all of its key operational and financial metrics.

Key Facts & Figures

Service Metrics

	June 2010	June 2009	% change
AUSTRALIA			
V-Wrap			
Funds under Administration	\$39.7 billion	\$31.6 billion	+ 26%
Committed Portfolios	44,167	41,296	+ 7%
Number of Wholesale Clients	505	494	+ 2%
Separately Managed Account			
Funds under Management	\$497 million	\$329 million	+ 51%
Number of Services	184	184	-
United Kingdom			
Funds on Platform	£115.7 million	£11.4 million	+ 915%

Financial Metrics

Cash at bank for June 30 2010 – \$5.6 million

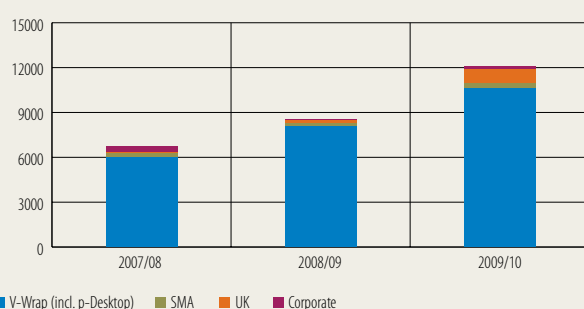
Australia and UK Financial Summary

	Revenue (\$'000)	Costs (\$'000)	EBITDA (\$'000)
V-Wrap ¹	9,770	5,329	4,441
Wrap Platform (Powerwrap/SMARTwrap)	833	30	803
SMA	446	993	(547)
Subtotal	11,049	6,352	4,697
United Kingdom	835	4,510	(3,675)
Corporate	64	6,147	(6,083)
TOTALS	11,948	17,009	(5,061)

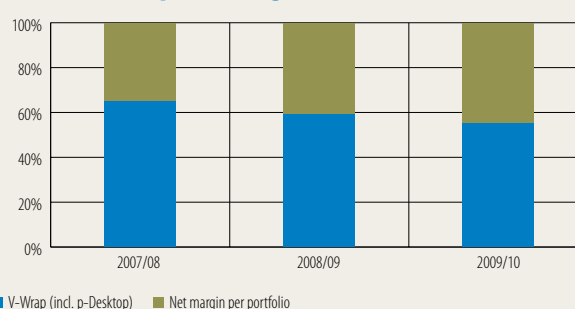
1 Incorporating V-Wrap Adviser (previously known as p-Desktop).

Praemium continues to increase and diversify its revenue and V-Wrap net margin.

Increase and Diversification of Revenue



Increase V-Wrap Net Margin



Notes:

- Net Margin earned by Praemium Australia Ltd before interest, depreciation and corporate costs.
- From July 2010, our V-Wrap business incorporates all technologies that we deploy for accessing V-Wrap functionality, including the technologies which were previously distinguished by the inclusion of market data or trading functionality (i.e. V-Wrap Adviser and V-Wrap Investor).

What we do

We specialise in the provision of innovative portfolio management services to accountants, stockbrokers, self managed super fund administrators and large institutions.

Our strategy

To continue to expand our market share in Australia and the United Kingdom by cross-leveraging our unique technology and services to develop and distribute leading technology based investment products and services.

Delivering on our promises

2010 Strategic Priorities	2010 Initiatives & Accomplishments
Australia	
To consolidate and drive revenue growth through the products and services already offered.	- Revenue growth has been achieved across all service lines including: - V-Wrap² revenue increasing by 21% to \$9.77 million - SMA revenue increasing by 58.7% to \$446,000 - Continued revenue growth and diversification is expected to continue with share market recovery and regulatory change in Australia driving greater growth opportunities for Præmium.
Continue to increase V-Wrap's market share, especially within the SMSF market.	- Despite continued difficult financial markets and many clients converting their portfolios to cash, V-Wrap has continued to increase its market share with portfolio numbers growing by 7%. - V-Wrap continues to be one of the largest Self Managed Super Fund investment administration platforms, administering over 17,500 SMSF portfolios (representing approximately 4% market share). - Delivered key projects to E*TRADE including once a year tax reports to all E*TRADE active retail customers as part of its standard offering and a modified (retail) version of the V-Wrap service available to E*TRADE customers on subscription. - Continued enhancement of service offerings to address the needs of the market, including the addition of new 'simple' portfolio types and the introduction of International Investment functionality at portfolio level for all clients.
Expand our SMA market presence by continuing work with existing operators and seeking new operators.	- The BlackRock Customised Portfolio Service funds under management have increased by 51% to \$497 million. This growth represents both new investors into the service as well as growing asset values as a result of improving financial markets. - Continue work with BlackRock in the development of new propositions including imminent deployment of 'Model of Models' SMAs. - We continue to work on the development of Powerwrap's SMA now that their wrap offering is operational.
Support the development and launch Powerwrap's new wrap and separately managed account service, including managed fund trading capability, which will enable them to target the mainstream financial planning market.	- Powerwrap's new wrap proposition was launched in 2009, which incorporated an online managed fund trading capability. - SMARTwrap (Præmium's own branded version of Powerwrap) was launched in July 2010, enabling Præmium to leverage our existing relationships and reputation to access the mainstream financial planning market.
- Utilise p-Desktop to encourage the use of V-Wrap and increase organic growth - Deploy p-Desktop more widely and maximise its uplift potential by integrating capabilities with V-Wrap and the SMA.	- p-Desktop has been rebranded as V-Wrap Adviser and is now marketed as an integral part of the V-Wrap offering. - V-Wrap Investor was launched in May 2010. This is an adaptation of p-Desktop more suitable for investors and is compatible with a wider range of internet browsers. 224 services deploy V-Wrap Adviser and/or V-Wrap Investor to their staff and own customers as access points to the V-Wrap Service which incorporate functionality of specific benefit to those users.
In the UK	
- Increase distribution and funds under management for the Discretionary Platform Service (dps) - Increase distribution and funds under management for SMARTfunds	- UK revenue has increased by 483% to \$834,886. - UK Funds on Platform have grown from £11.4 million to £115.7 million in the last financial year. - Both the Discretionary Platform Service (dps) and SMARTfund continue to attract new clients including Russell Investments, Montague Capital Limited, and Pinton York SIPP Solutions. - Continued growth will be fuelled by key changes within the UK regulatory environment, including the banning of commissions from the end of 2012 and strong fiduciary requirement for advisers (known as Treating Customers Fairly).
Continue to develop relationships with strategic partners to broaden and enhance the services already provided.	Russell Investments alliance will utilise Præmium's platform to service both UK resident and non-resident clients. This broadens the UK business' distribution beyond the UK into offshore jurisdictions and therefore opens additional growth opportunities.

2 Incorporating V-Wrap Adviser (previously known as p-Desktop) revenues

Strategic priorities for 2010/11 year

AUSTRALIA

- To consolidate and drive revenue growth through the products and services already offered.
- Continue to focus on the sales and marketing of our core V-Wrap offering to generate where appropriate additional upfront payments for significant projects, whilst the non V-Wrap and UK revenues grow.
- Continue to increase V-Wrap's market share, especially within the SMSF market.
- Expand our SMA market presence by continuing work with existing operators and seeking new operators and increasing market awareness of the benefits and efficiencies of SMAs.
- Promote SMARTwrap to both existing clients and across a broad base of AFS Licensee firms to maximise the accumulation of funds under management.

UNITED KINGDOM

- Continue to extend Præmium's presence in UK by increasing distribution and funds under management on platform for the dps and SMARTfund services.
- Utilise our existing services to target new market segments (including Offshore, Group Pensions, Islamic / Sharia investment products, Charities, Trusts and Pension Funds).
- Develop client services as client numbers grow and increase penetration to existing accounts.
- Continue to evolve our products and services to improve the user experience and increase sales opportunities.

Directors' Report

Review of Operations – Australia

Principal Activities

Praemium was founded in 2001 to meet the market need for a technologically advanced portfolio administration service to effectively administer the increasingly widespread participation in direct equity investments. Praemium's range of portfolio management services are used by accountants, financial planners, stockbrokers, self managed super fund administrators and large institutions; who generally rebrand and package the services for their own customers.

Since the previous Annual Report, the following key changes were made to our core services:

- p-Desktop was rebranded as V-Wrap Adviser and is now marketed as an integral component of the V-Wrap service. This reflects its strengths as an alternative access point into V-Wrap providing a range of additional services and features that are most suitable to Adviser users.
- V-Wrap Investor (initially known as Portfolio Trader) was launched in December 2010 and is also marketed as an integrated component of V-Wrap offering an access point to V-Wrap portfolios and other relevant information and features, providing an online experience that is most suitable for Investor users and providing firms that are Praemium's V-Wrap clients another way of differentiating themselves and adding value to their clients.
- SMARTwrap was launched in July 2010 and made operational in August 2010. Further information on SMARTwrap is provided below.

The Market

The Australian market has been impacted by two key factors over the last financial year; market volatility resulting from the Global Financial Crisis (GFC) and regulatory uncertainty following the release of the Parliamentary Joint Committee on Corporations and Financial Services (generally referred to as the "Cooper Review").

Firstly, the ongoing market volatility and lack of investor confidence as a result of the GFC have resulted in a difficult environment for financial services providers. Advisers' attentions have been focused on dealing with immediate crises and investor concerns, whilst some investors have also been converting their investments to cash, preferring the higher interest rates to the uncertain sharemarket performance. It is an outstanding achievement that despite these trends, Praemium has continued to grow all of its service lines.

Secondly, the release of the Cooper Review introduced significant uncertainty about regulatory environment in which providers of financial services operate in Australia. The recommendations made by the Cooper Review included two central pillars which are intended to address the conflicts of interest that impact the quality of financial advice provided to Australian investors. These 2 pillars are:

- (1) A ban on commissions and other volume based incentives (excluding existing investments); and
- (2) A legislated fiduciary duty to put client's interests first.

These recommendations are supported by the FPA (Financial Planning Association) industry bodies and both the Labor and Liberal parties. Prior to the election, the Labor party announced policy which would see most of the recommendations adopted and, in particular, commissions prohibited by 2010. Whilst the position of the independents supporting the Australian Labor Party in minority government in respect to financial services reform is somewhat unclear, it appears that none are strongly opposed to the proposals for change. Accordingly it appears likely that these recommendations be passed by parliament without significant change, regardless of the party that ultimately forms a government.

Praemium is perfectly positioned to capitalise on growth opportunities arising from these regulatory changes. Our current V-Wrap offering is already well positioned and perceived as the platform of choice for fee-based financial planners. The newly launched SMARTwrap has been designed to assist advisers' transition from a commission-based remuneration model into a fee-based remuneration model, whilst also being very competitively priced for the investor. In the longer-term, we expect investment in Separately Managed Accounts to be boosted as advisers are forced to consider their low cost and professional investment management advantages as part of their fiduciary duty to clients. The seamless integration of V-Wrap, SMARTwrap and our SMA services make Praemium a compelling service provider for financial planners seeking to future proof their businesses.

Service	Used by	Strengths
V-Wrap incorporating: V-Wrap: Online portfolio administration service, providing daily portfolio valuations and comprehensive tax and performance reporting for a large range of security types. V-Wrap Adviser: An access point into V-Wrap most suitable for Advisers which, in addition to the core V-Wrap capability, offers live market data service, real time client reporting and portfolio review tools. V-Wrap Investor An access point into V-Wrap most suitable for Investors which offers comprehensive client reporting, live market data, a customisable user interface and white-labelling under the Adviser's own brand.	• Accountants • Financial Planners with fee-based remuneration models • SMSF Administrators • Stockbrokers • Large Institutions Access to V-Wrap Adviser and V-Wrap Investor is provided free-of-charge to all firms who deploy the V-Wrap System. These firms are licensed to give access to unlimited numbers of additional users for no additional charge as they consider appropriate.	• Low cost, fixed price portfolio administration system • Accountant-strength corporate action and tax reporting • Re-branded by the distributor • Low cost, live market data with real-time client reporting • Sophisticated portfolio modelling and review tools to streamline advice processes • Option to provide client access as value-add service
Wrap Services: SMARTwrap Badged wrap platform, promoted by Præmium, which utilises Præmium's proprietary V-Wrap technology Powerwrap Præmium's V-Wrap technology powers Powerwrap's Investment Account offering which is available for badging and distribution by firms wishing to create their own differential brand offering.	• Financial Planners (both fee and commission based remuneration models) • SMSF Administrators	• Low cost investment platform which incorporates a wholesale managed fund trading platform • Attractive remuneration structure for both fee for services and commission remunerated planners, providing transitional arrangements in response to pending changes to the regulation of the financial services industry • Integrates with V-Wrap and SMA offerings seamlessly. • Designed with the requirements of fee for service firms at front of mind – the future of financial advice.
Separately Managed Account Technology enabling a personalised investment portfolio to be offered as a non-unitised managed fund	Technology is offered under licence arrangements to distributors including: • Large institutions • New SMA providers	• Low cost investment option in comparison to managed funds; providing professional investment management with the transparency of direct share investment • Recognised as market leading technology in industry surveys

Directors' Report (cont.)

Review of Operations – Australia (cont.)

Service Highlights for 2009/10

V-Wrap

V-Wrap continues to be Praemium's flagship offering in Australia and, as at 30 June 2010, is used by more than 505 financial service, accounting, tax and administration businesses to administer 44,167 portfolios and \$39.7 billion funds under administration.

Our key measures of success have all shown improvement in the last year:

- Committed portfolios and funds under administration have continued to grow by 7% and 26% respectively
- We remain one of the largest SMSF administration platforms in the country, administering over 17,500 SMSF portfolios and representing approximately 4% market share
- V-Wrap revenue (incorporating revenues from V-Wrap Adviser) has increased by 30.8% compared to the last financial year as a result of the growth in portfolio numbers and funds under administration as well as the services provided to Asgard, E*TRADE, Powerwrap and other institutional clients
- The net margin per V-Wrap portfolio (excluding costs / revenues relating to V-Wrap Adviser and V-Wrap Investor) has risen from 41% to 45% and demonstrates increasing leveraging as the business grows.

Our revenue model, which combines fixed fees based on the number of committed portfolios utilised by a service, asset-based fees for large institutional clients and substantial minimum fee commitments for bespoke projects, continues to provide a strong base for continued future growth that minimises the impact of future share market downturns whilst also maximising the upside potential of recovering markets.

New client acquisition, organic growth and retention

The number of new clients has continued to grow moderately, with the number of committed services increasing by 2% in the last financial year. This moderate increase is attributable to a combination of the GFC, reaching saturation within some market segments and general uncertainty in the advice market brought about by the government's proposed regulatory changes. We anticipate that a higher rate of new client acquisition will be seen in the next 2-3 years as we see the impact of:

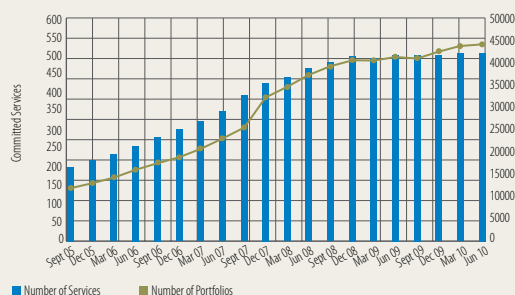
- renewed stability and growth in share markets;
- financial planners shifting from commissions to fees and making decisions on their service offerings as regulatory change deadlines approach; and
- cross-selling as a result of SMARTwrap attracting the traditional commission-based financial planners.

Despite the moderate growth in new client acquisition, our organic portfolio growth has proven resilient through the difficult markets. Clients who use V-Wrap continue to expand and put more portfolios onto V-Wrap. We expect our existing clients to increase their usage of V-Wrap within their client base as we launch new features within V-Wrap but also as SMARTwrap appeals to a wider segment of their client base, particularly within the financial planning segment. Further, the ability to consolidate reporting across both V-Wrap and SMARTwrap portfolios provides further opportunities for our clients to leverage their offerings, making the combined offering even more attractive.

The number of portfolio closures has been higher over the last financial year than in previous years. Closures have not been prevalent within any particular client segment but rather seem to reflect the fact that many investors have converted their investments to cash in response to the volatile financial markets, and thus no longer have the need for a sophisticated portfolio administration service.



Growth in V-Wrap Committed Services & Portfolios



Key developments for 2009/10

Two major projects were completed in the last year including:

- the expansion of services to E*TRADE from Tax Tools Standard (which provides its retail online users with a selection of the V-Wrap reports by way of an end of year pack as a standard functionality) to include Tax Tools Plus and Tax Tools Premium.

An important differentiation of these two new products is that they provide interactive functionality via subscription at different levels to help customers manage their tax liabilities throughout the year to prepare their tax returns.

In order to do this, two substantial and significant pieces of work were undertaken:

- Præmium installed the V-Wrap software on a new server dedicated to the tax reporting service and thus, for the first time ever, created a separate instance of the software for deployment by E*TRADE.
- A complete re-engineering of the user interfaces to accommodate retail access to V-Wrap, which until now has been essentially an intermediary management tool.
- Powerwrap's wrap offering, the Powerwrap Investment Account, was released to market in September 2009. This offering utilises Præmium's V-Wrap service and the newly developed online managed fund trading capability to offer access initially to a universe of managed funds, with separately managed accounts and direct equities to follow shortly. In addition, a superannuation offering will be launched imminently.

We have also made several enhancements to V-Wrap in response to client feedback and to further strengthen our appeal within the accounting, SMSF and financial planning markets. These enhancements included:

- the rebranding of p-Desktop to V-Wrap Adviser and the marketing of this service as an integral part of V-Wrap;
- the launch of V-Wrap Investor;
- the release of a range of new Portfolio Types (priced between \$24 and \$340 plus GST) that allow advisers to select the right type of portfolio depending upon the client's investment and administration needs;
- the ability to administer International Investments at a portfolio level (previously known as multi-currency/multi-exchange and only available at the service level)
- continued improvement of super compliance interfaces, in particular streamlining the interface with BGL, the SMSF administration software used by most SMSF administrators and accountants ; and
- continued development and improvement of financial planning (Xplan & VisiPlan) and banking (BankLink) interfaces.



Initiatives have also been undertaken to increase and improve our engagement with our clients. The Relationship Development team, which has been in operation since late in the 2007/08 financial year, has been principally responsible for these initiatives. The extent to which we have managed to continue to grow our 'organic' portfolio numbers is testament to the value of this program. The program includes:

- hosting regular webinars covering topics of interest to client groups; and
- proactive monitoring of portfolio take-up.

In the coming financial year we intend to further enhance these services by:

- improving the communication of application changes;
- increasing and improving the user group process;
- creating a user forum for self help;
- expanding our training offering so that we can offer tailored training programs for each client;
- evaluation of technical expertise of staff support; and
- utilise V-Wrap Adviser and V-Wrap Investor to encourage the use of V-Wrap and increase organic growth.

Our Client Service Team has also been restructured during Q4 2009/10 in recognition of the segmentation of the V-Wrap product and commitments to institutional clients. This team has been split into two separate teams including the V-Wrap Operations Team which is responsible for managing the daily operational functions; and the Client Service Analysts which provide front line support and focus on query management. This structure will provide improved scalability, increased technical skills, higher quality, timely responses to clients and assist in the recruitment of more specialised skill sets as required.



Directors' Report (cont.)

Review of Operations – Australia (cont.)

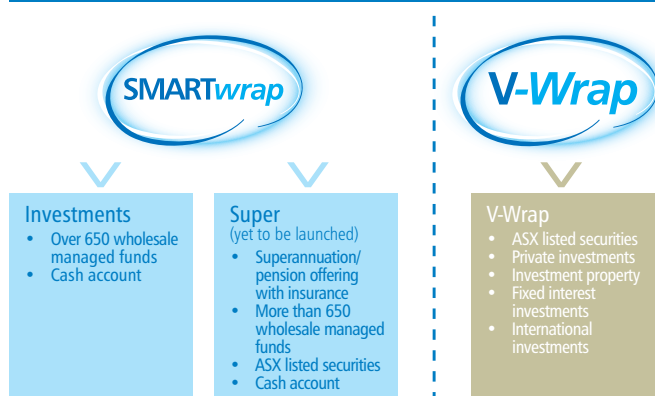
Service Highlights for 2009/10 (cont.)

SMARTwrap

Praemium SMARTwrap

One technology platform, offering:

- Comprehensive consolidated investment & tax reporting
- Online trading for both managed funds and direct equities
- White-labelling



3 access methods depending on user requirements!
(V-Wrap, V-Wrap Adviser & V-Wrap Investor)

The launch of SMARTwrap was announced in June 2010 and became operational in August 2010. SMARTwrap is an innovative, fully functioning wrap platform which leverages our existing V-Wrap capabilities and, importantly, is designed to assist advisers as they transition from commission to fee-for-service remuneration models.

Præmium promotes SMARTwrap to financial planning firms who can utilise it in their businesses, together with V-Wrap, to deliver a range of investments to their clients. SMARTwrap utilises V-Wrap technology to allow consolidated reporting across managed funds (held in a managed investments scheme (MIS) and non-custodial listed shares administered using V-Wrap) and cash. SMARTwrap will also incorporate a superannuation and pension account which is expected to be of interest to SMSF investors and their advisers. Præmium's key relationship partner Powerwrap Limited is the responsible entity of the MIS and the promoter and investment administrator of the superannuation product, both of which rely on V-Wrap technology for their efficient, transparent and cost effective operation.

SMARTwrap increases the addressable financial planning market for Præmium from the 10% of fee-based financial planners currently targeted by V-Wrap to the remaining 90% of financial planners as it meets their requirements for custody and online managed funds trading, as well as providing a mechanism for transitioning from a commission and rebate based business model to a fee for service model. It opens the addressable \$400 billion platform market which is dominated by advisers that require a commission-based remuneration structure and an online managed fund trading platform. This is a key development for Præmium and is expected to be the primary driver for Præmium's growth in Australia in the next 3-5 years.

With the anticipated implementation of the Cooper Review recommendations (including the banning of commissions by 1 July 2012), many financial planning firms are expected to be reviewing their service providers and seeking alternatives to assist them in future-proofing their business. We believe that SMARTwrap, combined with V-Wrap and the SMA capability, make Præmium an ideal choice.

The key elements of SMARTwrap that make it a compelling offering are:

- a low cost investment platform, with a factory gate price of 32bps and a Product Disclosure Statement price of 82bps. The difference of 50bp is available to the AFS Licensee Firm as commission or a rebate to clients;
- a wide investment choice including over 650 wholesale managed funds;
- an attractive remuneration structure for both fee-for-service and commission remunerated planners, providing transitional arrangements in response to pending changes to the regulation of the financial services industry; and
- seamless integration with V-Wrap and SMA offerings.





We are pleased to report that a strong enquiry rate from both existing and prospective clients is already evident. Revenue forecasts for SMARTwrap are strong given the high levels of interest and industry drivers for change along with an anticipated 8bp margin on funds under management.

Separately Managed Account (SMA) Technology

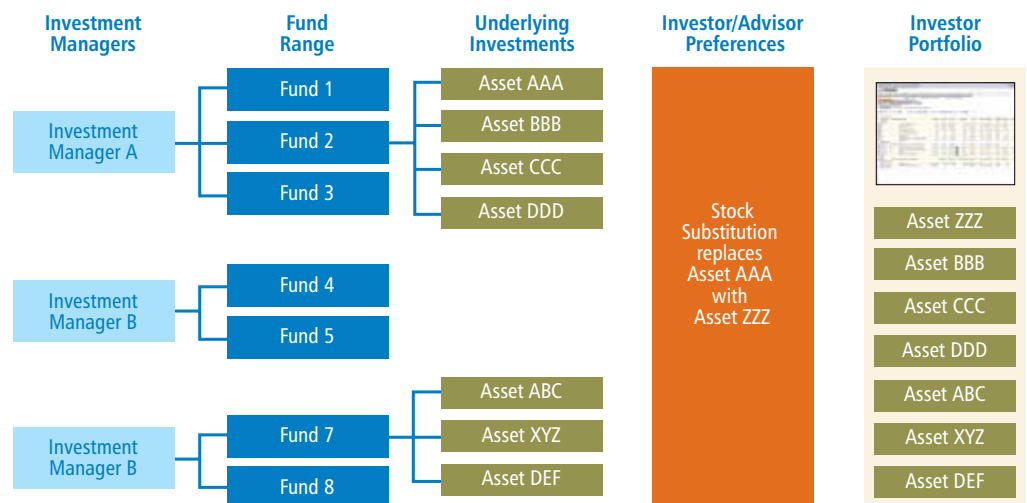
Præmium's SMA technology continues to be deployed by BlackRock Investment Managers (Australia) Limited. The BlackRock Customised Portfolio Service funds under management increased by 51% to \$497 million, reflecting a combination of new fund inflows and improved asset valuations. As at 30 June 2010, 184 dealer groups³ have deployed the service with 45 Product Disclosure Statements on issue and 81 model portfolios to choose from.

Growth in this service is expected to accelerate in the coming years as a result of:

- better market conditions driving new fund inflows and improving existing asset valuations;
- the implementation of the Cooper Review recommendations for advisers to hold a fiduciary responsibility to their clients to drive renewed interest in SMAs as advisers are forced to consider low cost, professionally managed investment offerings; and
- the imminent deployment of 'Model of Models' SMAs.

The 'Model of Models' SMA leverages the strategy-based SMAs that have been launched in the United Kingdom and are designed to enable a professional manager to track and adjust an investment model to keep it aligned with a specified investment strategy. Importantly their cost structure is significantly less than the equivalent model-of-model managed funds. These 'Model of Model' SMAs represent a compelling value proposition for Australian Financial Planners as they eliminate the requirement for ongoing

How the SMA Works



Statements of Advice (as the portfolio will automatically stay aligned with the specified strategy), reduce business risk and lead to improved business value. Strong demand is already evident from both current and prospective clients.

We are also working with Powerwrap to incorporate an SMA offering as a key component of SMARTwrap.

Strategic Priorities for 2010/11

Our key priorities for the Australian business during 2010/11 include:

- To consolidate and drive revenue growth through the products and services already offered.
- Generate additional cash receipts through V-Wrap to bolster our cash position whilst the non V-Wrap and UK revenues grow.
- Continue to increase V-Wrap's market share, especially with in the SMSF market.
- Expand our SMA market presence by continuing work with existing operators and seeking new operators and increasing market awareness of the benefits and efficiencies of SMAs.
- Distribute SMARTwrap to maximise the accumulation of funds under management

³ BlackRock has changed the way that it counts the number of services that deploy the SMA offering over the last year. In our 2009 Annual Report the number that was used represented the number of services that BlackRock advised had signed contracts with it. The number quoted in this report refers to the number of services that BlackRock advise have advanced funds for management in the SMA.

Directors' Report (cont.)

Review of Operations – United Kingdom

Præmium delivers innovative cost effective investment solutions to the UK financial services industry. Præmium's services have been designed to create tangible value in adviser firms' businesses. Their clients, the investors, gain access to low cost transparent investment portfolios offering them a better investment experience than can be achieved from any other service provider in the UK.

Principal Activities

In the UK, we have concentrated on the development and distribution of services that rely on our proprietary SMA technology. This technology has been specially adapted to provide a range of products and services that meet the changing requirements of the UK regulatory environment as well as satisfy the legitimate desire of adviser firms to improve the efficiency and valuation of their businesses.

Increasingly, adviser firms in the UK are seeking to manage client portfolios using a Model Portfolio approach. This involves matching client portfolios to pre-designed investment models which have consistent asset allocations and/or risk profiles and are managed by professional in-house or external Investment Managers. In this way adviser firms remain independent and remove any bias from the investment management process as well as more effectively and consistently managing risk across its client base, thus meeting the regulatory obligations for Treating Customers Fairly (TCF).

The solutions offered by Præmium in the UK have been designed to satisfy this trend and offer the following value proposition:

- The Investor receives a professionally designed investment solution more easily matched to their objectives.
- The Adviser can create their own bespoke investment solution for their clients to help achieve a more scalable and efficient process.

- The Investment Manager can use the platform to easily provide their Investment expertise to a wider range of investors.
- All the Investor's professional advisers can access the portfolio administration tools to provide comprehensive reporting on the investor's entire portfolio.

The three services currently offered from the UK are:

- Discretionary Platform Service (*dps*)
- SMARTfund
- Capital Gains Tax Services.

During the last year Præmium UK achieved substantial growth of funds under management on its platform services, reaching £115.7 million as at 30 June 2010. This growth is a result of a successful transition to the sales and operational phase of the business as we deliver our services to existing and new clients.

The UK Market

Although the UK market continues to be heavily impacted by the Global Financial Crisis (GFC), continued share market volatility and a crisis in investor confidence, Præmium UK is weathering this storm extremely well and is ideally positioned to capitalise on growth opportunities arising from the significant regulatory changes that are underway.

Præmium initially expanded into the UK due to the business opportunities presented by the UK's transition from an insurance to managed investment sales culture (the same transition undertaken by Australia during the 1990s). This transition has been significantly accelerated with the UK financial regulator's reform of the distribution of retail financial products and services.

Most adviser firms in the UK are now actively engaged in reviewing their business model as the December 2012 deadline for the implementation of the Retail Distribution Review (RDR) regulatory changes approaches. These changes demand that advisers offer independent advice and break the link between product and remuneration with the cessation of commissions. Adviser firms now have an ideal opportunity to gain control over all elements of the value chain and build embedded value within their business. In addition, as a result of the RDR and the fall-out from the GFC, many advisers now acknowledge the need to move away from 'fund picking' towards the use of external Investment Managers, leaving them to focus on maintaining client relationships and non-investment areas such as effective tax planning.

Præmium's services are perfectly positioned to meet the needs of this new advisory model. Our two core services (the *dps* and SMARTfund):

- provide a robust and scalable means to consistently manage individual portfolios and meet the compliance obligations of TCF;
- enable the appointment, and replacement, of external Investment Managers;





- offer transparent fee-for-service remuneration arrangements which remove any commission bias; and
- allow advisers to develop their own bespoke investment solutions thus embedding value within their own business.

Our Services

Discretionary Platform Service (*dps*)

The Discretionary Platform Service (*dps*) enables adviser firms and wealth managers to provide a transparent end-to-end discretionary investment management solution for their clients. The last year saw the growth of this service from two operational *dps* services. Our *dps* clients include;

- the financial planning arm of a medium sized accountancy firm – PB Financial Planning
- a new model adviser firm that is evolving its business in line with regulatory changes required post RDR – Sterling McCall
- a Financial Services Consolidator – Succession Advisory Services
- a regional based Discretionary Manager that wants to provide Investment Management to local Financial Adviser and Accountancy Firms – Montague Capital
- an international Fund Manager who requires access to run Investment Models via a multi-currency platform – Russell Investments

Præmium's multi-currency platform, as used by Russell Investments, will also be deployed to offshore companies to service clients of international trust and fiduciary businesses in jurisdictions around the world.

In addition to the offshore opportunities, the *dps* will expand into the following areas in the coming months:

- The launch of our first Sharia-law compliant *dps* service (a growing market with limited appropriate solutions currently available)
- Group Pension Schemes
- Charities.

As such the outlook for this service is extremely promising and we expect strong growth over the coming years.

SMARTfunds

SMARTfunds are Authorised Unit Trusts (AUT) that incorporate the benefits of our proprietary Separately Managed Account technology with an Authorised Collective Investment Scheme legal structure. SMARTfunds deliver a cost-efficient and transparent retail fund via an online investment platform.

During the last year we have further developed the SMARTfund offering with the:

- Launch of the SA Sequel SMARTfund; distributed by adviser firm Foster Denovo through their national network and drawing on the investment management services of Henderson Global Investors Ltd, Sarasin & Partners LLP and Schroder Investment Management Ltd. Inflows into this product have been strong with funds under management exceeding £25 million within 6 months from launch.
- Development of the SA Informed SMARTfund (launched on 22 June 2009); sponsored and initially distributed by independent adviser firm Informed Financial Planning as their central investment strategy and drawing on the expertise of Old Broad Street Research and Barrie & Hibbert. Now well established and with a second advisory firm that has agreed to distribute this fund from August 2010.
- Development of the *SelectCSIPP* for Pointon York; a corporate Self Invested Personal Pension (SIPP) which is designed to reflect the regulatory changes required by the RDR. Præmium's own SMARTfund Advantage will provide the core investment solution for this corporate pension offering.

The outlook for SMARTfund looks good now with the SMARTfund Advantage having been in existence for over a year providing a proven performance history. Having this proof will provide Adviser Firms with confidence that the funds work as designed and enable us to increase the number of firms using the funds as part of their investment offering.

Capital Gains Tax Service

The Capital Gains Tax engine, developed for Cofunds, has now been made available to all client accounts on the platform and we continue discussions with other platforms looking to provide a CGT tool.

Strategic priorities for 2010/11

- Continue to extend Præmium's presence in UK by increasing distribution and funds under management on our platform for the *dps* and SMARTfund services
- Utilise our existing services to target new market segments (including Offshore, Group Pensions, Islamic, Charities, Trusts and Pension Funds)
- Develop our client services and increase penetration to existing accounts
- Continue to evolve our products and services to improve the user experience and increase sales opportunities

Directors' Report (cont.)

Looking Forward

The focus for 2010/11 is to deliver on the strategies committed to shareholders by continuing to grow our existing services and capitalise on the growth opportunities arising from share market recovery and impending regulatory change in both Australia and the United Kingdom.

Australia

We believe Praemium's growth prospects within Australia to be strong over the next 3-5 years given the likely share market recovery and anticipated regulatory changes.

The financial planning segment is expected to be the primary growth driver for Praemium. The anticipated regulatory changes resulting from the Cooper Review are expected to increase Praemium's addressable market from fee-for-service based 10% of the financial planning community to incorporate the remaining 90% of financial planners that predominantly use wrap platforms. We are well positioned to capitalise on this opportunity with the recent launch of the new SMARTwrap, which will assist advisers through the difficult transition from a commission to fee-for-service remuneration model. With the addition of SMARTwrap to our range of products and services, Praemium's offering is now fee agnostic; offering a complete service for both fee-for-service and commission remunerated advisers, with features that support transition from one business model to another.

The accountant segment continues to be important for Praemium and we are developing several initiatives to increase our appeal within this segment.

United Kingdom

Our belief that Praemium has a significant advantage and opportunity in the UK market is now being validated. The combination of unique products and services and sophisticated technology is attracting high quality advisory and investment management firms. Our range of distribution partners and funds under management continue to grow and we continue to find opportunities within new market segments.

As the UK market prepares for the Retail Distribution Review deadline in December 2012, the transition from the insurance to managed investment culture is significantly accelerated as adviser firms are forced to change the way they do business. Many advisers now seek to develop their own, or leverage other, model portfolio based solutions to service their clients. Although other providers are aware of this change and are developing their own solutions, our sophisticated proprietary SMA technology provides us with a strategic advantage over our competitors. It has been designed specifically for the efficient management and rebalancing of models whilst many of our competitors seek to adapt legacy systems. Our platform has also now been delivering to clients in the UK for two years and is a proven solution.

Praemium is also well placed to benefit from the strong growth forecast in UK platform assets.

Overview of 2010 Financial Position

Results

The consolidated loss attributable to the members of the Group was \$5,723,715.

The Group's net asset position at 30 June 2010 was \$5,157,057 with \$5,614,270 held in cash or cash equivalents. The Group is debt free.

Significant Change in the State of Affairs

There has been no significant change to the group's affairs since the end of the financial year.

After Balance Date Events

On 13 September 2010 the Company announced that its wholly owned subsidiary, Praemium Australia Pty Ltd, has been issued shares in the capital of Powerwrap Limited pursuant to the terms of an agreement which provided that Powerwrap Limited could elect to make a minimum payment to secure ongoing access to Praemium's managed investments platform functionality on a limited exclusive basis. Accordingly Praemium Australia Pty Ltd now holds slightly less than 20% of the issued capital in Powerwrap Limited (an unlisted public company) and has the right to appoint a director.

Future Developments

The company will continue its activities as outlined in its prospectus dated 13 April 2006 and subsequent disclosures to the ASX. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the consolidated entity.

Dividend Recommended, Declared or Paid

The Company has not recommended, declared or paid a dividend in respect of the full year result.



Præmium Ltd Board

The qualifications, experience and special responsibilities of each person who has been a director of the Company at any time during or since the end of the financial year is provided below.

Chairman – Dr Donald William Stammer



Don Stammer holds a Bachelor of Arts (with honours) degree and a Master of Arts (with honour) degree from the University of New England and a Doctor of Philosophy degree from the Australian National University. He taught economics and finance at both universities prior to 1971, when he joined

the Reserve Bank of Australia, where he held senior positions in the Bank's Research Department and its Banking and Finance Department.

From 1981 to 2001, Dr Stammer was Chief Economist/Director of Investment Strategy for Deutsche Bank and its predecessor Bain & Company.

In addition to his role as non executive Chairman of the Company, Dr Stammer is a non-executive director of ING Private Equity Access Limited, a non-executive director of Sustainable Investment Research Institute Pty Ltd, a non-executive director of Kaplan Higher Education Pty Limited, a non-executive director of Superannuation Investment Fund and Mutual Fund Limited in New Zealand, and he chairs the Blue Mountains World Heritage Institute.

Over recent years, Dr Stammer was a director of ING Australia Holdings Limited, Chairman of the ING listed property trusts, Chairman of Novera Energy Limited, Chairman of Tribeca Learning Limited and Chairman of Mosaic Oil NL.

Dr Stammer is a member of the Audit & Compliance Committee, the Risk Committee and the Remuneration Committee.

In accordance with the requirements of the Listing Rules and the Company's Board Charter, Dr Stammer retires by rotation at the end of the Company's Annual General Meeting and, being eligible, stands for re-election at that meeting.

Group Chief Executive Officer –Mr Arthur Naoumidis



Arthur Naoumidis is the Company's founder and the inventor of its core technology. Since late 2001, Mr Naoumidis has been responsible for establishing the underlying technology components as well as the marketing and operation of the business. Prior to that Mr Naoumidis worked for the retail stockbroking

arm of BNP Paribas as the Head of Equity Products. In that role he was responsible for the development and marketing of the portfolio administration business unit.

Between 1997 and early 2001, Mr Naoumidis was employed by J B Were & Son (Stockbrokers) (now Goldman Sachs JBWere) initially as a Business Project Manager, responsible for co-ordinating the IT work of the retail broking department.

In his last 2 years with that firm, Mr Naoumidis was the Retail Services Manager, responsible for the portfolio administration business function within JB Were.

Prior to this, Mr Naoumidis was employed by banking organisations both here with the Bank of Melbourne and, for an eight year period, in the United Kingdom with Chase Manhattan, JP Morgan and SG Warburg banks. During that period Mr Naoumidis designed, implemented and managed many complex system projects for those organisations.

Mr Naoumidis holds a Bachelor of Science from the University of Sydney, is a key person and a responsible officer under Præmium Australia Pty Ltd's AFS Licence and performs Controlled Functions under the authorisation as a fund manager given to SMARTfund Administration Ltd by FSA. He is also a member of the Remuneration Committee.

Directors' Report (cont.)

Præmium Ltd Board (cont.)

Non Executive Director – Mr Robert Edgley



Rob Edgley holds a Bachelors degree in Economics from Monash University. His career has been predominantly focused in fixed interest financial products, in Australia, the UK and Japan.

Mr Edgley previously held the position of Director & Head of Sales, Asia Pacific Region,

Royal Bank of Scotland, and was also a Director of Royal Bank of Scotland Australia Pty Ltd.

Mr Edgley chairs the Group's Audit & Compliance Committee and the Remuneration Committee and is also a member of the Risk Committee.

In accordance with the requirements of the Listing Rules and the Company's Board Charter, Mr Edgley retires by rotation at the end of the Company's Annual General Meeting and, being eligible, stands for re-election at that meeting.

Non Executive Director – Mr John Bryson



John Bryson was appointed as a director in August 2007 and elected to that position at the Company's AGM in November 2007.

After nine years in the engineering profession, Mr. Bryson joined JBWere and Son in 1983 and was appointed Group General Manager in 1985 during a period of significant changes

occurring in the market place with the firm emerging as the premier privately owned investment house in Australasia over this period.

In 1991 Mr. Bryson was appointed "National Manager – Private Clients" for the JBWere group's retail advisory division and was responsible for building this group from its then small base to one of the largest and most respected retail investment operations in Australia. The retail group under Mr Bryson's leadership evolved over the 1990's to be recognised within JBWere and in the market place as core strategic strength of the firm at a time when many brokers were struggling with and disbanding their retail networks.

In 2000 Mr. Bryson established the JBWere's Private Equity presence and has also been involved in other capital raisings.

Mr. Bryson retired from Goldman Sachs JBWere in 2003. Since that time he has been providing consulting services to the financial services, and in particular stock broking, industry in Australia.

Mr Bryson's depth and breadth of experience in respect to the Australian retail broking industry complement the skills and experience of the other members of the Board.

Mr Bryson chairs the group's Risk Committee and is a member of both the Remuneration Committee, Audit & Compliance Committees.

Mr Bryson is also a non-executive director of The Bionic Ear Institute, First Samuel Limited and Choiseul Investments Limited, a listed investments company.

Executive Director & Company Secretary – Ms Cathryn Nolan



Cathryn Nolan was appointed as an executive director in August 2007 following 15 months as a member of the senior management team and was elected to that position at the Company's 2007 AGM.

Since being admitted to practice as a solicitor in 1989, Ms Nolan (who holds an LLB (Sydney

University) and a Graduate Diploma in Natural Resources Law (University of Melbourne) has practiced extensively as a Corporate Lawyer with a focus on both Australian and international capital raisings, financial services reform, information technology, ASX Listing Rules and intellectual property.

Prior to joining Præmium as its Company Secretary & General Counsel in May 2006, Ms Nolan acted as the Company's external legal adviser since the time of its inception and accordingly has a strong understanding of the unique issues and opportunities facing the firm.

Ms Nolan also acts as Group Company Secretary and General Counsel, as the Group's head of compliance and as secretary to the Australian incorporated subsidiaries and board committees.

Præmium's UK Board

The Board of Præmium Portfolio Services Limited, which comprises three non executive directors and two executive directors, is responsible for the oversight and governance of the group's UK subsidiaries.

Chairman – Lord Brabourne



Lord Brabourne (formerly Lord Romsey prior to his father's death in 2005) was the Chairman of the UK Board for the 2010 Financial Year, retiring in order to spend more time outside the UK with effect from 30 June 2010.

Managing Director – John Martin



John Martin joined Præmium with over 20 years experience in running IFA businesses. Mr Martin has held senior management positions in national IFAs and established two IFA businesses. Mr Martin was appointed as Managing Director in April 2008. Through an enormous wealth of industry experience, Mr Martin provides valuable

'thought leadership' to the development of our products and services and drives development to ensure that our service offerings can be differentiated by their practical usefulness for our target markets.

Non Executive Director – David Harrison



David Harrison MA, FCA was formerly a partner in Harrison Son Hill & Co, Chartered Accountants and Chairman and Chief Executive of Harrison Brothers, an Underwriting Agency at Lloyd's of London. He is currently Chairman of Harrison Son Hill & Co Ltd, Insurancwide.com Services Ltd and deputy Chairman of Argenta

Private Capital Ltd. Mr Harrison has more than 30 years experience in the insurance industry.

A supporter of Præmium's UK Strategy since 2005, Harrison Son Hill & Co Ltd, which is associated with Mr Harrison's family interests, is a reseller of Præmium's technologies in the UK. Mr Harrison is also a member of the Group's Risk Committee.

Non Executive Director – Roland Ward



Roland Ward has 30 years operational experience in the financial services industry in the UK, continental Europe and the United States. The positions he has held include: Chairman of HBOS Financial Services (Europe); Finance Director, Clerical Medical Investment Group; Chief

Executive Laurentian Financial Service; and Deputy Chief Executive of The Mortgage Corporation, 1989-1992. He has also been the Executive Assistant to the President of Bank of America, a non-executive director of financial distribution companies in Europe and chairman of an offshore venture capital firm. Mr Ward also acts as a member of the Group's Audit & Compliance Committee.

UK Executive Director / Group CEO – Arthur Naoumidis



Arthur Naoumidis, the Group Chief Executive Officer of Præmium, is also an executive member of the UK board. As the founder of Præmium and the inventor of its proprietary technologies, Mr. Naoumidis' role remains key to the development and implementation of the UK strategy and as a liaison between

the UK and the parent company boards as a member of both. More information about Mr Naoumidis' qualifications and experience can be found on page 15.

Executive Director & Chief Operating Officer / UK Head of Finance – Gary Wilson



Gary Wilson has over 20 years experience in financial and operational management of start up technology companies in the UK and International markets, overseeing their rapid growth to full market listing. He started his career in technology with Admiral plc (now part of LogicaCMG) where he played an instrumental part in their LSE debut.

In the role of Finance Director and Chief Operating Officer, Mr Wilson went on to set up two venture capital backed European CRM businesses which became market leaders in their respective field.

After a short break from technology he steered his interests towards property investment when he joined a privately owned property investment group as Finance Director prior to joining Præmium as its UK Director of Finance in 2006. In April 2007 Gary was asked to join the board of the UK subsidiaries and to assume, in addition to his responsibilities for finance, the role of operations director for the UK business. Mr Wilson's exposure to dynamic business growth, acquisitions and market listings provide a solid platform to guide and manage the finances and operations of Præmium UK during this phase of dynamic growth. Mr Wilson holds the professional accreditation of FCCA.

Mr Wilson also acts as Company Secretary for each of the UK incorporated subsidiaries.

Directors' Report (cont.)

Præmium Australia Pty Ltd Board

The Board of Præmium Australia Pty Limited, which comprises four executive directors, is responsible for the oversight and operation of the Group's Australian business.

Managing Director – Arthur Naoumidis



More information about Mr Naoumidis' qualifications and experience can be found on page 15.

Executive Director: Chief Operating Officer – Christine Silcox



Ms Silcox has extensive experience in project management, product development and back office administration. For some years she carried out projects in a self employed capacity working within a range of organisations and industry types, focusing on finance and administration services.

Chris brought her expertise into the financial service industry over 12 years ago, and her position immediately prior to joining Præmium in 2002 was with the Australian operation of a large international broking firm as Administration Manager, in charge of their retail portfolio management products, including superannuation.

At Præmium, Chris is responsible for the strategic direction of the operations for the development and support of the services in the Australian region. She also oversees the implementation of HR and Risk activities for the region.

Executive Director: Head of Institutional Sales – James Maramis



Mr Maramis (who holds a BA Hons (Monash University)) entered the financial services industry in the early 1990s working in Superannuation Administration with VicSuper then Portfolio Administration with Austrust. Further roles in Portfolio Administration followed with Bell Potter before he joined the Advent software in various

consulting, product sales and distribution roles.

James initially joined Præmium in 2003 as a distributor before joining full time in 2005.

As Strategic Sales Manager James focus is on large network and institutional accounts with broking firms and fund managers, and those accounts requiring implementation strategies.

Executive Director: Australian Sales – Warren Gibson



Mr Gibson began his financial services career in 1984 as an authorised dealers' representative. After 4 years on the advisory side he moved into corporate and business development, practice administration and marketing, establishing his own advertising and distribution company in 1995. In

November 2002 he joined Præmium as senior product manager to promote the fledgling V-Wrap Service (then known as Præmium's PAS) to the retail investor market. As Præmium recognised that its strength would be in the provision of sophisticated portfolio services to advisers, accountants, administrators and others responsible for the administration or management of multiple portfolios, he moved into a marketing and sales management role and now oversees the Company's marketing and sales functions.

Company Secretary: Cathryn Nolan



Cathryn Nolan, who is an Executive Director of the Company, also acts as Company Secretary to Præmium Australia Pty Ltd.

Disclosures relating to directors and senior management

Indemnification and Insurance of Directors, Officers and Auditors

The Company has executed a deed of access, indemnity and insurance in favour of each Director and past director of the Company and each of its subsidiaries.

Under the deeds, Præmium indemnifies the Directors and previous directors in respect of liabilities incurred in connection with holding office, to the extent permitted by the Corporations Act (or, where

relevant, the UK Companies law). The Company is also obliged to carry insurance cover for the Directors and previous directors and provide them with access to Board and Committee papers.

Under its Constitution, Præmium must, subject to certain exceptions, indemnify each of its Directors to the extent permitted by law against liability that did not arise out of a lack of good faith.

Total premiums paid in respect of all Directors' and Officers' liability insurance were \$172,050.00 (ex GST). \$149,850.00 (ex GST) relates to Directors and Officers Liability insurance that covers the period 11 April 2006 to 11 April 2013.

Meetings – Board Meetings and Committee Meetings

The number of Board Meetings and number of meetings of each board committee held during the financial year, and the number of meetings attended by each of the Company's Directors were:

	Board of Directors 17 Meetings		Audit & Compliance Committee 2 Meetings		Risk Committee 2 Meetings		Remuneration Committee 3 Meetings	
	Eligible to Attend as member	Attended	Eligible to Attend as member	Attended	Eligible to Attend as member	Attended	Eligible to Attend as member	Attended
Dr Donald Stammer	17	17	2	2	2	2	3	3
Mr Robert Edgley	17	17	2	2	2	2	3	3
Mr Arthur Naoumidis*	17	17	0	2	0	0	3	3
Mr John Bryson	17	16	2	2	2	2	3	3
Ms Cathryn Nolan**	17	17	0	2	0	2	0	3**

* Mr Naoumidis was excused from attendance from those parts of any meeting at which matters relating to the CEO's remuneration were discussed.

** Ms Nolan attends committee meetings as secretary and not as a member of those committees. She did not attend those parts of any Remuneration Committee meetings at which her remuneration was discussed.

Directors & Executives Relevant Interests in Shares

As at the date of this report, the interests of the Company's Directors and senior executives in the shares of the Company were:

2010	Balance 1/07/2009	Received as compensation	Received on the exercise of options	Other changes during the year	Balance as at the date of this report
Parent entity directors					
Arthur Naoumidis	26,867,497	-	-	(2,451,612)	24,415,885
Donald William Stammer	4,659,345	-	-	12,984,303	17,643,648
Robert John Edgley	1,600,000	-	-	200,000	1,800,000
John Bryson	235,000	-	-	226,546	461,546
Cathryn Nolan	339,500	-	-	160,500	500,000
Other key management personnel					
Phillip Ince	1,000,000	10,000	-	40,000	1,050,000
Christine Silcox	1,709,000	10,000	-	270,900	1,989,900
Warren Gibson	600,000	10,000	-	421,612	1,031,612
Steven Stamboultgis	397,343	10,000	-	92,657	500,000
James Maramis	647,314	10,000	-	275,000	932,314
John Martin	164,269	10,000	-	-	174,269
Gary Wilson	-	10,000	-	-	10,000
	38,219,268	70,000	-	12,289,906	50,509,174

Directors' Report (cont.)

Disclosures relating to directors and senior management (cont.)

Director & Executive Options

The long term incentive for the Company's Non Executive Directors is membership of the Directors & Employees Share & Option Plan which was approved by shareholders on 22 February 2006. This plan (the "First Plan") was replaced by a new Præmium Directors & Employees Benefits Plan at the Company's AGM on 11 November 2008 which was amended at the last AGM on 23 November 2009 (the "New Plan"). All existing rights under the First Plan will expire on or before 7 August 2011. Long and short term incentives have also been provided to non executive directors of the UK subsidiary group, Executives and Staff under the First Plan and under the New Plan.

During the Financial year the following securities were issued under the New Plan:

- 1,499,604 Shares
- 1,440,000 Options
- 4,200,000 Performance Rights

In accordance with the rules of the New Plan, all employees in Australia and the UK who were eligible to participate in the New

Plan were issued with 10,000 shares each during the Financial Year.

Employees in the UK eligible to participate in the New Plan during the Financial Year were issued in total with 520,000 options over ordinary shares to acquire shares in the capital of the Company exercisable at \$0.165 expiring on 30 September 2011.

Employees in Australia eligible to participate in the New Plan during the Financial Year were issued in total with 920,000 options over ordinary shares to acquire shares in the capital of the Company exercisable at \$0.155 expiring on 30 September 2011.

Employees in Australia, eligible to participate in the New Plan during the Financial Year were offered in total 4,200,000 performance rights in the Company which will vest each year over 3 years ('Performance Period') and convert into fully paid ordinary shares in the capital of the Company on satisfaction of individual Key Performance Indicators in relation to each Performance Period.

No securities were award to the Directors of the Company in the Financial Year. Any future award of securities to Directors of the Company would be subject to separate Shareholder approval.

Details of Directors' options allotted under the First Plan and the New Plan which are not cancelled or expired as at 30 June 2010 are:

Directors' Options

Director	Options – exercisable for \$1.32 expiring 7 August 2010	Options – exercisable for \$1.67 expiring 7 August 2011	Total
John Bryson	135,000	135,000	270,000

Executives' Options & Performance Rights

Executive	Options – exercisable for \$0.30c expiring 30 September 2010	Options issued during the Financial Year	Performance Rights issued during the Financial Year	Total
Ms Chris Silcox	99,000	0	500,000	599,000
Mr Phillip Ince	45,000	0	500,000	545,000
Mr Warren Gibson	35,000	0	500,000	535,000
Mr Steven Stamboultgis	45,000	70,000	0	115,000
Mr James Maramis	40,000	0	500,000	540,000
Mr John Martin	0	0	0	0
Mr Gary Wilson	0	0	0	0
Executive Options	264,000	70,000	2,000,000	2,334,000

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

The performance rights offered under the New Plan will vest each year over 3 years ('Performance Period') and will only be converted to fully paid ordinary shares, upon the vesting conditions being achieved for that relevant Performance Period. In respect of the:

- i. first Performance Period, 50% of the total number of performance rights offered to the employee may be converted to fully paid ordinary shares on 30 October 2010;
- ii. second Performance Period, 25% of the total number of performance rights offered to the employee will convert to fully paid ordinary shares on 30 October 2011; and
- iii. third Performance Period, 25% of the total number of performance rights offered to the employee will convert to fully paid ordinary shares on 30 October 2012.

There are no participating rights or entitlements inherent in the options or performance rights and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced. This will give option and/or performance rights holders the opportunity to exercise their options and/or performance rights

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 is reconstructed, all rights of an option and performance rights holder are to be changed in a manner consistent with the ASX Listing Rules.

2,553,301 options issued under the First Plan and 312,200 options issued under the New Plan lapsed or were cancelled since 30 June 2009 to the date of this report. A further 1,266,798 will expire on 30 September 2010 and 716,667 will expire on 30 December 2010. 393,998 options were cancelled since 30 June 2009 to the date of this report as a consequence of staff turnover.

No options have been issued since 30 June 2010 to the date of this report.

No options were exercised from 30 June 2010 to the date of this report.

There are no contracts to which a director is a party or under which a director is entitled to a benefit that confer a right to call for or deliver shares in, or debentures made available by the Company or any related body corporate.

The following table shows the number of holders of Options and Performance Rights as at 30 June 2010 and how those holdings are distributed.

Ranges	Options	%	Number of Holders	Performance Rights	%	Number of Holders
1 to 1000	0	0	0	0	0	0
1,001 to 5,000	8,276	0.18	2	0	0	0
5,001 to 10,000	71,680	2.00	9	0	0	0
10,001 to 100,000	3,095,795	84.22	80	800,000	19.04	8
100,001 and Over	500,000	13.60	3	3,400,000	80.96	10
Total	3,675,751	100	94	4,200,000	100	18

Directors' Report (cont.)

Remuneration Report

Remuneration philosophy and principles

The Company's performance is dependent upon the quality of its directors, executives and staff. To prosper, the company must attract, motivate and retain highly skilled directors, executives and staff. To this end, the company applies the following principles in its remuneration framework:

- Provide competitive rewards to attract high-calibre executives;
- Link executive rewards to shareholder value; and
- Provide for a significant proportion of the executive remuneration to be 'at risk' – that is, dependent upon meeting pre determined performance indicators.

Remuneration policies

The Board has established a Remuneration Committee which is currently chaired by a non executive director: Mr. Robert Edgley. The members of that committee during the financial year were the non executive directors: Dr Donald Stammer, Mr John Bryson and Mr. Robert Edgley and the Group CEO, Mr Arthur Naoumidis. Cathryn Nolan acts as secretary to that committee.

The Remuneration Committee was established to review the remuneration policies and practices of the Company to ensure that it remunerates fairly and responsibly.

The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated Directors and employees. The policy is designed for:

- decisions in relation to executive and non-executive remuneration policy;
- decisions in relation to remuneration packages for Executive Directors and senior management;
- decisions in relation to merit recognition arrangements and termination arrangements; and
- ensuring that any equity-based executive remuneration is made in accordance with the thresholds set in plans approved by shareholders.

Listing Rule amendments in 2010 have the effect of requiring the Company to report on matters relating to diversity, in particular board diversity, for its 2011/12 financial year. It is expected that the Remuneration Committee will have input into the review required and any policy development that follows that review to ensure compliance with the requirements of the new listing rules.

The Remuneration Committee undertook a review of remuneration policies generally over the financial year, resulting in the creation of a Performance Rights plan designed to align Præmium's successes with staff remuneration whilst at the same time, taking into account the Company's performance and the market generally, aiming to conserve the Group's cash to the maximum extent possible. For this reason, bonuses paid during the 2010 financial year were packaged in the form of tranches of options exercisable within 24 months of the date on which they were granted and incentives in the form of Performance Rights were offered to key personnel in the Australian business. None of those options were exercised during the financial year as the exercise price exceeded the market price.

In May 2009 the Federal Treasurer announced significant changes to the taxation of Australian employee benefit and option plans. There has been considerable uncertainty in respect to this area of law over the 2010 financial year. The committee continued to monitor the changes and the commentary on them with a view to finalising its approach to the use of the issue of shares and/or options to staff as a reward and incentive. The situation has been similar in the UK, where, following a change in government, there is some uncertainty in respect to the taxation of options and other equity entitlements awarded to employees. For this reason, pending creation of an appropriate reward scheme, no performance rights were awarded to UK staff during the 2010 financial year.

Key performance targets for the UK business were set and agreed with the UK Board, however, no performance rights relating to those criteria were issued during the year. The Board planned to issue half of the 10 million Performance Rights approved for issue to key personnel at the 2009 AGM to the UK Management Team, exercisable over a 3 year period. The first of these key criteria, achieving funds on platform of £120million (a 952% increase on FOP at the beginning of the financial year) has already been achieved and the Board plans to issue 1.67 million shares to those UK management personnel pursuant to the Præmium Directors and Employees Share Plan in recognition of that achievement in October 2010. A further 3.34 million performance rights (or the UK equivalent) to acquire shares on payment of a nominal consideration will be issued to those UK Management personnel over the coming months, the exercise of which will be conditional on meeting further key performance milestones.

In determining the number of entitlements under the Employee & Directors Share Scheme to be granted to Executives in particular, the Board, on the recommendations of the CEO considered the individual performance of the executives and the contributions to the Company's performance and strategic plan as individuals and by the teams that they manage. Other factors, including the extent to which

the Company considers it important to further incentivise specific individuals, market factors and factors relevant to retention were also taken into account. The number and value of entitlements issued were not directly linked to the company's earnings, however, by aligning the interests of key personnel with shareholders by issuing them options and performance rights with relatively short vesting periods at exercise prices that were comparable to the market price of the Company's shares at the time they were issued, the Board aimed to link its short term and long term incentive plans to shareholder wealth.

The Remuneration Committee is authorised by the Board to investigate any activity within its charter. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Remuneration Committee.

The Remuneration Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings of the Remuneration Committee if it considers this necessary.

The Remuneration Committee is required to make recommendations to the Board on all matters within the Remuneration Committee's Charter. A copy of the Charter can be found on the Company's website.

The Company's Remuneration Policy, which was last updated in October 2009, is also available from the Company's website.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The remuneration of non-executive directors comprises two elements:

- Fixed fee; and
- Variable remuneration – a long term incentive

The non executive directors are paid fixed fees in accordance with a determination of the Board but within an aggregate limit fixed by the Shareholders. The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. At the

2007 AGM the members approved the aggregate remuneration for directors as \$250,000. There is no proposal to change the aggregate remuneration or to increase the fees paid to the non executive directors.

Long term incentives are in the form of options issued under the Employee & Directors Option Plan. Details of the options held by non-executive directors are included in the table set out on page 20.

The last of the options held by Dr Stammer and Mr Edgley, that were issued to them at the time of their appointment prior to the Company's IPO and which have an exercise price of \$0.78, expired on 11 May 2010. Mr Bryson held 135,000 options (with an exercise price of \$1.32) which expired on 7 August 2010 and a further 135,000 which vested on that date (with an exercise price of \$1.67) and which will expire on 7 August 2011. There is currently no proposal to offer additional options to any non executive director on the lapsing of the options held by them at this time.

Executive Directors

The remuneration of Executives, including Executive Directors of the Group comprises:

- Fixed salary;
- Variable remuneration: short term incentives;
- Variable remuneration: long term incentives.

The short term incentives for executives may take the form of an annual cash payment determined by the amount of fixed salary and achievement of individual KPIs. The long term incentive is membership of the Directors & Employees Share & Option Plan. The Remuneration Committee is currently in the process of further considering the Company's policies in respect to remuneration.

Payment of equity based executive remuneration is made in accordance with thresholds set out in the Directors & Employees Share & Option Plan. A copy of the plan can be found on the Company's website.

The names and positions of each person who held the position of Director of Præmium Limited at any time during the financial year is provided at note 15 of the financial statements and information about each of those persons (including their qualifications and experience) is set out on pages 15-18 above.

Directors' Report (cont.)

Remuneration Report (cont.)

Directors' Remuneration

2010 Directors' Remuneration

The follow table shows remuneration paid to persons who were directors during the 2010 Financial Year:

Director	Short Term Employee Benefits			Share Based Payments		Post Employment Benefits		Total	Performance related %
	Salary, fees & Commissions	Bonus by way of Cash	Non-Cash Benefits	Bonus by way of Shares	Options	Super-annuation	Long Service Leave		
Dr. Don Stammer	64,220	0	0	0	0	5,780	0	70,000	0%
Mr Robert Edgley	41,284	0	0	0	0	3,716	0	45,000	0%
Mr Arthur Naoumidis	461,449	100,000	15,270	0	0	14,283	3,773	594,775	0%
Mr John Bryson	41,284	0	0	0	741	3,716	0	45,741	0%
Ms Cathryn Nolan	321,226	0	0	0	0	28,100	2,662	342,988	0%

2009 Directors' Remuneration

For comparative purposes, the following table shows the remuneration paid to those persons who were directors during the 2009 Financial Year:

Director	Short Term Employee Benefits			Share Based Payments		Post Employment Benefits		Total	Performance related %
	Salary, fees & Commissions	Bonus by way of Cash	Non-Cash Benefits	Bonus by way of Shares	Options	Super-annuation	Long Service Leave		
Dr. Don Stammer	64,220	0	0	0	266	5,780	0	70,266	0%
Mr Robert Edgley	41,284	0	0	0	222	3,716	0	45,222	0%
Mr Malcolm Taylor*	14,908	0	0	0	87	1,342	0	16,337	0%
Ms Christine Silcox*	158,553	0	0	0	773	13,024	3,251	175,601	0%
Mr Arthur Naoumidis	351,094	0	14,319	0	0	25,845	18,020	409,278	0%
Mr John Bryson	41,284	0	0	0	3,860	3,716	0	48,860	0%
Ms Cathryn Nolan	271,201	0	0	0	118	24,071	2,020	297,410	0%

* Mr Taylor and Ms Silcox ceased to be Directors of the Company on 11 November 2008. Ms Silcox remains a Director of the wholly owned subsidiary Praemium Australia Pty Ltd.

Executive Remuneration

2010 Executive Remuneration

The following table shows the remuneration paid to the most senior executives during the 2010 Financial Year:

Executive	Short Term Employee Benefits			Share Based Payments		Post Employment Benefits		Total	Performance related %
	Salary, fees & Commissions	Bonus by way of Cash	Non-Cash Benefits	Bonus by way of Shares	Options/ Performance rights	Super-annuation	Long Service Leave		
Mr John Martin	267,475	0	2,097	0	1,371	24,073	0	295,016	0%
Christine Silcox	159,953	2,479 ⁴	0	0	22,224	14,338	3,664	202,658	12%
Mr Phillip Ince	146,288	8,459 ⁴	11,045	0	22,698	13,050	1,969	203,509	15%
Mr Warren Gibson	158,121	7,130 ⁴	0	0	22,502	13,435	2,986	204,174	15%
Mr Steven Stamboultgis	147,509	13,123 ⁴	0	0	4,162	12,212	1,206	178,212	10%
Mr Gary Wilson	267,475	0	0	0	1,371	24,073	0	292,919	0%
Mr James Maramis	144,607	7,794 ⁴	0	0	22,600	12,823	1,194	189,018	16%

* Mr Martin and Mr Wilson are employees of the UK subsidiary group. The exchange rate of 0.5608 was used for the purpose of this table.

2009 Executive Remuneration

For comparative purposes the following table shows the remuneration paid to the most senior executives in 2009 Financial Year

Executive	Short Term Employee Benefits			Share Based Payments		Post Employment Benefits		Total	Performance related %
	Salary, fees & Commissions	Bonus by way of Cash	Non-Cash Benefits	Bonus by way of Shares	Options	Super-annuation	Long Service Leave		
Mr John Martin	323,485	0	886	0	13,660	29,114	0	367,145	0%
Mr Phillip Ince	141,471	5,015 ⁴	23,022	0	8,855	12,732	1,472	192,567	3%
Mr Warren Gibson	147,316	23,901 ⁴	0	0	6,948	14,979	3,460	196,604	12%
Mr Steven Stamboultgis	144,789	4,514 ⁴	0	0	8,254	12,600	833	170,990	3%
Mr Gary Wilson	323,485	0	0	0	13,660	29,114	0	366,259	0%
Mr James Maramis	142,774	4,458 ⁴	0	0	7,805	12,719	835	168,591	3%

* Mr Martin and Mr Wilson are employees of the UK subsidiary group. The exchange rate of 0.4637 was used for the purpose of preparing the table in 2009. Differences between salaries paid to UK staff in 2009 and 2010 are primarily exchange rate differences.

4 Bonus by way of cash includes PAYG paid on behalf of executives in relation to bonus options.

Directors' Report (cont.)

Remuneration Report (cont.)

Executive Remuneration policies and contracts

The policy for determining the nature and amount (or value, as appropriate) of the key management personnel involves regular reviews and assessment of the market conditions for persons with the skills, qualifications and experience of the relevant executive. Performance bonuses are determined by reference to the market as well as the individual performances and contributions of key management personnel.

Whilst the Group is in this initial growth phase and is not profitable, there is no direct link between performance payments to key executives and the profitability of the Company. However, performance payments are linked to key performance indicators that include the extent to which the Group has performed against its corporate plan and whether certain objectives and milestones have been achieved. Further, by using the Group's Directors & Employees Benefits Plan to offer shares and options to employees, the interests of employees are aligned with shareholder wealth.

To the extent that elements of the remuneration of key executives consists of securities in the Company, the Board, in considering whether to grant those securities and negotiating the terms of remuneration with the key executive, requires the key executive to obtain their own advice in respect to his or her exposure to risk in relation to the securities and relies on the undertakings of the key executives that they have obtained such advice prior to accepting the offer of securities as the method of enforcing that policy. No securities were issued to new employees as an incentive or sign on bonus during the 2010 financial year.

All Group Executives, including Executive Directors, are employed under employment contracts. Those contracts do not have a fixed term and are terminable on between one and six months notice (as set out below) by the executive or by the Company or, in the event that the Executive materially breaches the contract of employment in a way that involves dishonesty, fraud, a breach of any law affecting the company or a breach of certain of the Group's policies, the executive may be summarily dismissed.

In addition to terms similar to those described in the paragraph above, the Group CEO's contract also contains provisions which allows the Group CEO, in the event that there is a change of control and he is removed as Managing Director to elect to terminate on one month's notice.

The Company may elect on the giving or receipt of notice from any executive to pay out the balance of the term and require the executive to 'go on garden leave' for the remaining term.

The notice periods and amounts payable in lieu of notice for each of the key members of the Group Executives required to be disclosed are:

- Mr Arthur Naoumidis, Group CEO, is currently employed pursuant to an ongoing contract commencing 11 May 2006. Mr Naoumidis maximum entitlement on termination in lieu of notice would be 6 months TEC
- Ms Cathryn Nolan, Executive Director, General Counsel and Company Secretary, is employed on an ongoing basis subject to the terms of an agreement commencing 1 May 2006. Her entitlement in lieu of notice would be 6 months TEC
- Ms Chris Silcox, Executive Director Præmium Australia Pty Ltd and Head of Operations (Australia) is employed on an ongoing basis subject to the terms of an agreement commencing 1 June 2002. Her entitlement on termination in lieu of notice would be one month TEC
- Mr Phillip Ince, Chief Information Officer, is employed on an ongoing basis subject to the terms of an agreement commencing 22 November 2004. His entitlement on termination in lieu of notice would be one month TEC
- Mr Warren Gibson, Executive Director Præmium Australia Pty Ltd and Head of Sales & Marketing Australia is employed on an ongoing basis subject to the terms of an agreement commencing 1 December 2002. His entitlement on termination in lieu of notice would be one month TEC
- Mr James Maramis, Executive Director Præmium Australia Pty Ltd and Head of Institutional Sales is employed on an ongoing basis subject to the terms of an agreement which was extended since 1 April 2009. His entitlement on termination in lieu of notice would be one month TEC
- Mr Steven Stamboultgis, Chief Financial Officer, is employed on an ongoing basis subject to the terms of an agreement commencing 1 May 2006. His entitlement on termination in lieu of notice would be one month TEC
- Msrs John Martin and Gary Wilson, each Executive Directors of the Group's UK subsidiaries are employed on an ongoing basis subject to the terms of an agreement commencing in March 2007. Their respective entitlements on termination in lieu of notice would be 3 months TEC

Additional Disclosures required or recommended by the Listing Rules & Corporations Act

Information required to be disclosed by the Listing Rules and not disclosed elsewhere in this report is set out below:

Top 20 Shareholders

No.	Shareholder	No. of ordinary shares	% of ordinary shares
1	MR ARTHUR NAOUMIDIS & MRS KATHRYN NAOUMIDIS	22,927,602	10.99%
2	DR DONALD WILLIAM STAMMER	10,520,700	5.04%
3	NATIONAL NOMINEES LIMITED	9,974,643	4.78%
4	EQUITAS NOMINEES PTY LIMITED	6,300,000	3.02%
5	EXCELSIOR HOLDINGS PTY LIMITED	6,000,000	2.88%
6	FIFTY-NINTH SHACKLE PTY LTD	4,934,949	2.37%
7	UCAN NOMINEES PTY LTD	4,375,000	2.10%
8	UBS NOMINEES PTY LTD	4,306,631	2.06%
9	MEROMA PTY LIMITED	3,925,158	1.88%
10	NELCAN PTY LTD	3,290,514	1.58%
11	ORNATO INVESTMENTS PTY LTD	3,216,850	1.54%
12	TAYCO INVESTMENTS PTY LTD	2,997,502	1.44%
13	PATCHEOAK PTY LTD	2,931,000	1.41%
14	DW & LC STAMMER PTY LIMITED	2,510,290	1.20%
15	TAYCO INVESTMENTS PTY LTD	2,182,542	1.05%
16	DIXSON TRUST PTY LIMITED	2,133,334	1.02%
17	MRS KAREN LOUISE BOVINGDON	2,125,645	1.02%
18	PROFESSIONAL PRACTICE ADVISORS PTY LTD	2,112,000	1.01%
19	NELCAN PTY LTD	2,100,000	1.01%
20	MR PETER THOMAS & MS CARLA GOVERS	2,059,664	0.99%

Substantial Holdings

As at the date of this report, the names of the substantial holders in the Company and the number of ordinary shares to which each substantial holder and its associates have a relevant interest as disclosed in substantial holding notices given to the Company are set out below:

Name of Substantial Holder	Number of Ordinary Securities
Mr Arthur Naoumidis and Mrs Kathryn Naoumidis	24,415,885
Dr Donald Stammer	17,643,648
Nicholas Adrian Owen	11,847,892

Directors' Report (cont.)

Additional Disclosures required or recommended by the Listing Rules & Corporations Act (cont.)

Details of Securities on Issue

There are 208,569,737 ordinary shares on issue in the capital of the company at the date of this report. There are no other classes of shares currently on issue other than ordinary shares.

Each holder of ordinary shares has the right to attend and vote at general meetings of the company in person, by representative or by proxy. On a show of hands, each member entitled to be present has one vote. If the shareholder is represented by more than one person, they will still only have one vote on a show of hands. On a poll, each ordinary share represents one vote.

In addition there are a total of 3,675,751 options (each authorising the holder to acquire one ordinary security in the capital of the company on exercise). Details of the options are set out on page 20 of this report.

The following table shows the number of holders of each class of equity securities as at the date of this report and how those holdings are distributed. Please refer to page 21 for information on Options and Performance Rights.

Ordinary Shares

to be	Ordinary Shares	%	No. of Holders	%
100,001 and Over	187,035,412	89.68	232	17.83
10,001 to 100,000	18,537,608	8.89	552	42.43
5,001 to 10,000	2,207,540	1.06	258	19.83
1,001 to 5,000	763,724	0.37	209	16.06
1 to 1,000	25,453	0.01	50	3.84
Total	208,569,737	100.00	1,301	100
Unmarketable Parcels	234,931	0.11	140	10.76

There are 140 holders holding less than a marketable parcel of the Company's ordinary shares.

ASX Listed Company

As at the date of this report, the Company's securities are not quoted on any stock exchange other than ASX. There is not currently any on-market buy back in progress.

Unquoted Securities

The only unquoted securities in the capital of the Company currently on issue are the options referred to above. All of the options that are unquoted securities were issued or acquired under an employee incentive scheme.

Use of Cash and assets readily convertible to cash since admission to ASX Official List

In accordance with Listing Rule 4.10.19 the Company confirms that the Group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of ASX since its admission to the end of the reporting period (being 30 June 2006) in a way that is consistent with its business objectives.

Corporate Governance

A corporate governance statement is set out on pages 31-33 of this document.

Environmental Issues

The Group's operations are not presently subject to significant environmental regulations under the law of the Commonwealth or State.

Proceedings on behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity. The Company was not a party to any such proceedings during the year.

Non Audit Services / Auditor's Independence Declaration

A copy of the Auditor's Independence declaration in relation to the audit for the financial year is provided with this report. The Australian auditor is Grant Thornton and the auditor of the UK subsidiary entities is Mazars LLP. Non audit services of approximately \$125,000 have been provided by the Group's Parent Entity audit firm for internal controls review and income tax compliance services and similarly approximately \$19,000 have been provided by the Group's subsidiary's audit firm for UK income tax compliance services.

Signed in accordance with a resolution of Directors.



Arthur Naoumidis

Director

24 September 2010

Directors' Report (cont.)

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 36 to 67, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and economic entity;
 - c. complies with the International Financial Reporting Standards as disclosed in Note 1.
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The company and the wholly-owned subsidiaries, Præmium Australia Pty Ltd, Præmium Ltd (UK) Præmium Portfolio Services Ltd (UK) and Smartfunds Administration Limited (UK) have entered into a deed of cross guarantee under which the company and its subsidiary guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

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



Arthur Naoumidis

Group CEO

Dated 24 September 2010

Corporate Governance Statement

The policies and practices of the company are in accordance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations (2nd Edition)" (ASX Guidelines) unless otherwise stated. Where the Company's corporate governance practices do not correlate with the ASX Guidelines, it's generally because the Company's Board does not consider that the practices are appropriate for the Company due to the size of its operations.

The Company provided a comprehensive statement of its approach to corporate governance in its 2006 Annual Report and has provided further information in subsequent reports. A copy of each of the Company's annual reports since ASX listing remain available on the Company's website.

In this section there are a number of references to documents being available on the Company's website. These documents are linked to this page: <http://www.praemium.com.au/corporate-governance.html> or otherwise available under the "Investor Relations" menu that appears at the top of each page.

The Corporate Governance Statement set out below has been set out using the same headings used in the ASX Guidelines.

Principle 1 – Lay solid foundations for management and oversight.

Principle 1.1 was slightly amended in the ASX Guidelines from its form in 2006 when the Company was initially listed to more specifically state that entities should formalise functions reserved to the board and those delegated to senior executives, and should disclose those functions.

The Company has adopted a Board Charter, a copy of which it makes publicly available by publication its website, which enumerates the principle functions of the Company's board (see Section 2). The Charter was reviewed by the Board and updated in August 2008. The Charter makes it clear that it is the role of the Board to govern the Company, and in particular, to set policy direction, whilst it is the role of the executive to manage the Company's operations.

The Company has appointed boards to oversee the operations of both its UK and Australian subsidiaries. The UK Board, comprises a majority of non executive directors, whilst the group entity through which its Australian operations are conducted has only executive directors. The boards of the subsidiary companies liaise closely with the Board of the parent company. Mr Arthur Naoumidis, Præmium's Group CEO, is a member of each of the boards to ensure continued communications between the boards.

There have been no new appointments to the Company's board during the 2010 Financial year.

Præmium's processes require that annual reviews are undertaken in respect to all staff at least annually for the purpose of reviewing activities over the past 12 month period and setting key performance indicators, goals and targets for the coming year. The process also recommends and supports managers 'catching up' with their direct reports for the purpose of monitoring outcomes and plans agreed at the reviews. All Senior Executives participated in the review process in the financial year in accordance with the process.

Principle 2 – Structure the Board to add value

Skills & Experience

Information about the skills and experience of the Company's Directors is set out on page 15.

Directors' Independence

The Company has a majority of non executive directors. Using the criteria recommended by the ASX Guidelines, two of the the Company's non executive directors (that is, Mr Edgley and Mr Bryson) are independent directors. The Company's Chair, Dr Don Stammer, was an independent non executive Chair for all of the Financial year but is no longer classified as independent (see below).

All directors are shareholders in the Company, and two of the non executive directors are not substantial shareholders.

The Company's policies allow directors to seek independent advice at the Company's expense.

Independence of Chair / Division of responsibility

During the financial year the Chair of the Board was an independent non executive director. However, in July 2010 the Chair became a substantial shareholder and accordingly is no longer classified as independent.

The Chair of each Board Committee, is an independent non executive director and there is a clear division of responsibility between the Chairman and the Group CEO.

Nomination Committee

The Board does not have a separate nomination committee, recognising that ultimate responsibility for the selection and appointment of directors is ultimately the responsibility of the board as a whole and as a smaller company it considers, consistently with the ASX Guidelines, that the same efficiencies may not be derived from a formal committee structure for this important function. There is no documented procedure for the selection and appointment of new directors or the re-election of incumbent directors, as the Board does not consider any particular need to change its composition at this time.

Directors' Report (cont.)

The Company will be required to report on a range of matters relating to diversity for its 2011/12 financial year and following. Over the current financial year the Remuneration Committee plans to address the matters set out in the most recent edition of the Corporate Governance Principles and Recommendations published by the ASX Governance Council, with a view to ensuring that it meets the requirements of those principles to the extent that they are applicable to the Company's circumstances when addressing the composition of the Board.

Board Performance

The Chair conducts a review of Board Performance at least once each calendar year. The process involves the preparation of a questionnaire, to which directors and nominated senior executives respond to anonymously, addressing matters relating to the conduct of meeting, the content of board papers and other matters relevant to Board performance. The results of the survey are collated and reported to the Board and discussed in the Board meeting. The process was last conducted in December 2009 and the process described above was followed. In addition, in the last quarter of 2010, the Board arranged for an independent consultant to undertake a review of its operations and to make recommendations. Responses received to the board review resulted in some minor changes being made to the board's operations and processes for collecting information from the operating businesses.

Term of appointment

All Non Executive Directors have been elected to their positions and the term of their appointment expires at the end of the next annual general meeting at which they are required by the Company's constitution or the listing rules to retire by rotation. Accordingly, the term of Dr Stammer and Mr Edgley's appointments will expire at the end of the Annual General Meeting scheduled for 30 November 2010, and Mr Bryson will hold office until the end of the General Meeting in 2011.

Principle 3 – Provide Ethical and Responsible Decision Making

Code of Conduct

The Company has a code of conduct which is published on its website. The Code is reviewed every two years and was last updated in August 2009.

Trading Policies

A copy of the Group's policies in respect to trading in the Company's shares is also published on its website. This policy was updated in October 2009.

Diversity Policies

During the current financial year the Board will consider its policy concerning diversity with a view to disclosing that policy (or a summary of it) and being in a position to identify, report on appropriate measurable objectives for achieving gender diversity and to commence reporting on the numbers of women in the organisation, including senior management and on the board, prior to the commencement of the FY2011/12 financial year (being the first year in which the recent changes to the listing rules requiring disclosures relating to diversity will apply).

Principle 4 – Safeguard Integrity in Financial Reporting

The Company has established an Audit & Compliance Committee which comprises: Mr Robert Edgley (Chair), Dr Don Stammer, Mr John Bryson and Mr Roland Ward. All members are independent and non executive. 2 Committee meetings were held during the 2010 Financial year, and all meetings were attended by all Committee members. The Company's Auditor attended 2 of those meetings. The Audit & Compliance Committee has a formal charter. A copy of the charter is available from the Company's website. The Charter was updated in August 2009.

Principle 5 – Make Timely and Balanced Disclosure

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. The key policy, Praemium's Continuous Market Disclosure Policy, and corresponding procedures were reviewed in September 2008 and are published on the Company's website. Further minor updates to that policy were recently approved to take into account changes to ASX policy and to address concerns of Non Executive Directors in respect to their opportunities to review announcements prior to release to market.

Principle 6 – Respect the right of shareholders

The Company has a website to communicate information to its shareholders.

The Company has developed a policy for communicating with shareholders (again, this policy is set out on the Company's website) which has been followed during the 2010 Financial year.

Where possible and practical, the Company communicates with Shareholders using the internet and other electronic forms of communication. For this purpose it maintains a list of email addresses for shareholders and others interested in hearing from the Company and provides regular updates by email.

Præmium strongly encourages all shareholders to assist it to reduce costs and be kind to our environment by opting to receive annual reports, notices of meeting, proxy forms and other formal communications electronically. Præmium's constitution allows for direct online voting.

The Company will review its processes for the planning and conduct of external briefings with a view to ensuring compliance with the revisions to Principle 6 by the commencement of the 2011/12 financial year.

Principle 7 – Recognise and Manage Risk

Responsibility for risk oversight and management and internal control has been delegated by the Board to a separate Risk Committee. The Charter for the Risk Committee, which can be found on the Company's Website, complies with the recommendations set out in Principle 7 of the ASX Guidelines.

The Company's Risk Management Policy Statement is published on the Company's website. The policy was last reviewed in August 2008.

In accordance with Recommendation 7.2 the Risk Committee has required management to design and implement a risk management and internal control system to identify and manage the Group's material business risks and to report to it on whether those risks are being managed effectively, and management has been meeting this requirement and managing risks effectively.

The Group does not currently have any internal audit function. The Board considers that at the Company's current stage of growth and size that there is no particular benefit to appointing internal audit and in the alternative seeks independent advice as it considers appropriate. In all other respects, the Company complies with the recommendations set out in Principle 7.

Principle 8 – Remunerate fairly and responsibly

The Company's approach to remuneration and this principle is set out in its Remuneration Report on page 22. The Company's approach to the remuneration of non executive directors is clearly distinguished from that of executive directors and senior executives.

The Company's Remuneration Committee comprises Mr Robert Edgley (Chair), Dr Don Stammer, Mr John Bryson and Mr Arthur Naoumidis. The Committee met 3 times during the financial year and all members of the Committee attended each meeting. A copy of the Remuneration Committee Charter is published on the Company's website. It was last reviewed in June 2008.

The Company does not operate any schemes for retirement benefits for any non executive Director other than the contributions that it makes to superannuation in accordance with statutory requirements.

Directors' Report (cont.)

Corporate Directory

Registered Office – Melbourne

Level 1, Praemium House
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www.praemium.co.uk

Sydney Office

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Sydney NSW 2000
Telephone: 02 9222 8500

Adelaide Office

Level 16, 211 Victoria Square
Adelaide SA 5000
Telephone: 03 8622 1222

Brisbane Office

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123 Eagle Street
Brisbane QLD 4000
Telephone: 07 3226 8000

Praemium 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

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St Katharine's Way
E1W 1DD London
UK Telephone: +44 20 7063 4000

Australian Solicitors

DLA Phillips Fox

Level 21, 140 William Street
Melbourne VIC 3000
Telephone: 03 9274 5000

Company Matters

Level 12,
680 George Street,
Sydney NSW 2000

UK Solicitors

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Financial Report

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Statement of comprehensive income

For the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue	3	11,974,341	8,849,278
Other income	4	109,968	99,851
Employee costs		(11,245,814)	(12,983,107)
Depreciation, amortisation and impairments	5	(570,677)	(587,959)
Legal, professional, advertising and insurance expense		(3,132,399)	(3,407,838)
IT support		(765,967)	(743,597)
Commissions expense		(229,898)	(237,125)
Travel expenses		(359,112)	(438,730)
Occupancy costs		(873,932)	(956,063)
Net foreign exchange losses		(72,927)	(22,511)
Telecommunication costs		(220,827)	(307,683)
Impairment of available for sale financial assets	1(g)	-	(168,548)
Other expenses		(105,583)	(11,288)
Withholding tax not recoverable		(228,833)	-
Finance costs	5	(2,055)	(1,899)
Loss before income tax expense		(5,723,715)	(10,917,219)
Income tax expense	6	-	-
Loss attributable to members of the Group		(5,723,715)	(10,917,219)
Other comprehensive income			
Changes in the fair value of available-for-sale financial assets		(13,889)	99,307
Exchange differences on translation of foreign operations		(205,502)	(38,950)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income/(loss) for the year, net of tax		(219,391)	60,357
Total comprehensive income/(loss) attributable to members of the Group		(5,943,106)	(10,856,862)
Basic earnings/(loss) per share (cents per share)		(0.030)	(0.067)
Diluted earnings/(loss) per share (cents per share)		(0.029)	(0.067)

The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	7	5,614,270	5,620,129
Trade and other receivables	8	3,372,611	2,978,022
Total current assets		8,986,881	8,598,151
Non current assets			
Other financial assets	9	232,008	149,258
Property, plant and equipment	10	1,354,618	1,891,823
Total non current assets		1,586,626	2,041,081
Total assets		10,573,507	10,639,232
Current liabilities			
Trade and other payables	11	4,632,118	5,329,712
Provisions	12	734,001	778,825
Total current liabilities		5,366,119	6,108,537
Non current liabilities			
Provisions	12	50,331	81,742
Total non current liabilities		50,331	81,742
Total liabilities		5,416,450	6,190,279
Net assets		5,157,057	4,448,953
Equity			
Share capital	13	44,847,706	38,476,239
Reserves	14	(933,911)	(841,823)
Accumulated losses		(38,756,738)	(33,185,463)
Total equity		5,157,057	4,448,953

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the Year Ended 30 June 2010

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Revaluation Reserve	Total
	\$	\$	\$	\$	\$	\$
Equity as at beginning of period	38,476,239	(33,185,463)	(1,064,795)	222,972	-	4,448,953
Loss attributable to members of the parent entity	-	(5,723,715)	-	-	-	(5,723,715)
Other comprehensive income /(loss)	-	-	(205,502)	-	(13,889)	(219,391)
Total comprehensive income/ (loss) for the year	-	(5,723,715)	(205,502)	-	(13,889)	(5,943,106)
Transactions with owners in their capacity as owners						
Issue of shares	6,371,467	-	-	-	-	6,371,467
Option expense	-	-	-	277,287	-	277,287
Exchange difference on option reserve	-	-	-	2,456	-	2,456
Transfer on lapsing of options	-	152,440	-	(152,440)	-	-
	6,371,467	152,440	-	127,303	-	6,651,210
Equity as at 30 June 2010	44,847,706	(38,756,738)	(1,270,297)	350,275	(13,889)	5,157,057

The accompanying notes form part of these financial statements.

For the Year Ended 30 June 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
Loss attributable to members of the parent entity	-	(10,917,219)	-	-	-	(10,917,219)
Other comprehensive income /(loss)	-	-	(38,950)	-	99,307	60,357
Total comprehensive income/ (loss) for the year	-	(10,917,219)	(38,950)	-	99,307	(10,856,862)
Transactions with owners in their capacity as owners						
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)	-	-
	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.

Statement of cash flows

For the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
Cash from operating activities:			
Receipts from customers		12,076,626	11,315,170
Payments to suppliers and employees		(17,895,212)	(18,800,006)
Interest received		102,716	333,345
Net cash (used by) /provided from operating activities	20	(5,715,870)	(7,151,491)
Cash flows from investing activities:			
Unit trust distributions received		34,002	14,567
Payments for property, plant and equipment		(176,079)	(270,138)
Acquisition of unit trust		(96,639)	-
Net cash used in investing activities		(238,716)	(255,571)
Cash flows from financing activities:			
Proceeds from the issue of share capital		6,491,865	-
Share issue transaction costs		(345,337)	-
Net cash provided by financing activities		6,146,528	-
Net cash increase (decreases) in cash and cash equivalents		191,942	(7,407,062)
Cash and cash equivalents at beginning of year		5,620,129	13,086,527
Effect of exchange rates on cash holdings in foreign currencies		(197,801)	(59,336)
Cash and cash equivalents at end of year	7(a)	5,614,270	5,620,129

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For the Year Ended 30 June 2010

1. Summary of Significant Accounting Policies

(a) General information

The financial report is a general purpose financial report that covers the consolidated entity consisting of Praemium Limited and its subsidiaries. Praemium Limited is a listed public company, incorporated and domiciled in Australia. Separate financial statements for Praemium Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, limited financial information for Praemium Limited as an individual entity are included in Note 23.

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 International Financial Reporting Standards as adopted in Australia (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 2010 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.

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 statement of comprehensive income.

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

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the board of directors. In this regards, such information is provided using different measures to those used in preparing the statement of comprehensive income and statement of financial position.

(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 statement of comprehensive income. To ensure that costs are not recognised in the statement of financial position 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 statement of comprehensive income 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 date.

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

(f) Financial instruments

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

(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 statement of comprehensive income 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 statement of financial position 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 balance 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.

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

1. Summary of Significant Accounting Policies (cont.)

(f) Financial instruments (cont.)

(vii) Available-for-sale financial assets (cont.)

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

The group assesses at each balance 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 statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

(g) Impairment of non financial 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 statement of comprehensive income, 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 statement of comprehensive income, 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 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 balance 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 statement of comprehensive income 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 then 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 head 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.

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 statement of comprehensive income 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 statement of comprehensive income 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 statement of financial position 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.

In accordance with AASB118, revenue is recognised upon the sale. This occurs where an assignment of rights for a fixed fee or non refundable guarantee under a non cancellable contract which permits the licensee to exploit those rights freely and the licensor has no remaining obligations to perform. Conversely where there is a refund element involved, then the revenue is recognised in accordance with the agreement.

(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'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 balance 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 statement of financial position. These differences are recognised in the statement of comprehensive income 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.

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

1. Summary of Significant Accounting Policies (cont.)

(n) Foreign currency translation (cont.)

(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 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 statement of comprehensive income.

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 Group, 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.

(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 2010. 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 2009-5 (issued May 2009) Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process

AASB 101 Presentation of Financial Statements

Clarifies that terms of a liability that could, at the option of the counterparty, result in the liability being settled by the issue of equity instruments, do not affect its classification. This means that unless the terms of such liabilities require a transfer of cash or other assets within 12 months, they do not necessarily have to be classified as current liabilities.

Initial adoption of this amendment will have no impact as the Group does not have any current liabilities where the counterparty has the option to have the liabilities settled by the issue of equity instruments.

AASB 107 Statement of Cash Flows

Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.

Initial adoption of this amendment will have no impact as the Group only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.

AASB 9 (issued December 2009) Financial Instruments

Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the Group has not yet made an assessment of the impact of these amendments.

AASB Interpretation 19 (issued December 2009) Extinguishing Financial Liabilities with Equity Instruments

There will be no impact as the Group has not undertaken any debt for equity swaps.

AASB 2009-10 Classification of Rights Issues. Effective 31 January 2011.

AASB 2009-10 makes amendments which clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its non-derivative equity instruments.

There will be no impact as the Group does not enter into transactions to acquire its own equity instruments.

AASB 2009-13 Amendments to AASB 1 arising from interpretation 19. Effective 30 June 2011.

This standard amends AASB 1 to allow a first-time adopter to use the transitional provisions in Interpretation 19.

This standard will have no impact upon the Group.

AASB 2010-01 Limited exemption from comparative AASB 7 disclosures for first time adopters (Amendments to AASB 1 and AASB 7). Effective 30 June 2011.

These amendments principally give effect to extending the transition provisions of AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments to first-time adopters of Australian Accounting Standards.

This standard will have no impact upon the Group.

IFRS Annual Improvements 2010 (May 2010). Application date 30 June 2011.

Makes various amendments to a number of standards and interpretations.

Given the number of standards amended by the Annual Improvements, an example disclosure is not included.

AASB 1053 Application of Tiers of Australian Accounting Standards. Effective 30 June 2014.

AASB 1053 introduces new tiers of reporting requirements for non-publicly accountable entities in the preparation of financial statements.

This standard will have no impact upon the Group.

AASB 124 Related Party Disclosures. Effective 31 December 2011.

The revision amends the disclosure requirements for government related entities and the definition of a related part

This standard will have no impact upon the Group.

AASB 2009-9 Amendments to Australian Accounting Standards- Additional Exemptions for First-time Adopters. Effective 31 December 2010.

AASB 2009-9 makes amendments to ensure that entities applying Australian Accounting Standards for the first time will not face undue cost or effort in the transition process in particular situations.

This standard will have no impact upon the Group.

AASB 2009-14 Prepayments of a Minimum Funding Requirement (Amendments to Interpretation 14). Effective 31 December 2011.

This amendment to Interpretation 14 addresses the unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan.

This standard will have no impact upon the Group.

(u) 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 available-for-sale financial assets

In the 2009 and 2010 financial reports, the Group 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 2009 financial year, the fair value of the assets had declined below cost and this decline was considered to be both significant and prolonged. Accordingly, the cumulative difference of \$168,548 of fair value below cost was recognised as an impairment loss in the statement of comprehensive income for the Group.

In the 2010 financial year, the fair value of the assets had declined below cost by a further \$13,889. This decline was not considered to be significant or prolonged and accordingly was recognized in other comprehensive income.

Long Service Leave

Provision is made for long service leave, including on-costs arising from service rendered by employees to balance date.

Provisions made in respect of long service leave expected to be settled are measured at the amounts expected to be paid when the liability is settled.

Share based payments

Payments to employees may take the form of a share based payment. In the situation that it is, the cost calculation is based on the Black-Scholes method.

Impairment

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

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

2. Financial Risk Management

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

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 Group's trade receivables, other receivables, receivables from subsidiaries and cash at bank and on deposit. The maximum amount of credit risk is the statement of financial position carrying values.

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 balance 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 2010, 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 \$
2010				
Trade payables	601,290	8	-	-
Accrued expenses	669,765	-	-	-
Other payables	1,007,070	-	-	-
Total	2,278,125	8	-	-
2009				
Trade payables	975,364	120	567	-
Accrued expenses	538,638	-	-	-
Other payables	1,216,437	-	-	-
Total	2,730,439	120	567	-

The contractual amounts of financial liabilities in the tables above are equal to their carrying values. Differences from the statement of financial position 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 Group invests surplus cash in major Australian and UK banks and in doing so is exposed to fluctuations in interest rates that are

inherent in such a market. The Group has no borrowings.

The Group's interest rate risk arises from:

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

The amounts subject to cash flow interest rate risk are the statement of financial position 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 (2009: +/-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.

	2010 \$		2009 \$	
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Cash and cash equivalents	56,143	(56,143)	56,201	(56,201)
Net result	56,143	(56,143)	56,201	(56,201)

Currency risk

The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group 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 macro forecast and a weekly micro forecast, analysed by the geographical region's cash balances, commitments and receipts, converted to the Group's main functional currency, Australian Dollars (AUD).

The Group is exposed to currency risk on cash at bank and on deposit in British Pound (GBP) to fund its UK operations. The Group is also exposed to currency risk on sterling denominated loans to its UK entities. There have been no changes to the Group's policy from previous periods.

Exposure to currency risk

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

	2010	2009
	GBP	GBP
Nominal amounts		
Cash at bank and on term deposit	1,093,354	513,216

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 GBP and AUD exchange rate.

It assumes a +/- 5% change in the AUD/GBP sterling exchange rate for the year ended at 30 June 2010 (2009: 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 date. This assumes that other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

If the Australian dollar had strengthened against the GBP sterling by 5 % (2009: 5%) then this would have had the following impact on profit and other equity.

	2010 \$	2009 \$
Profit after tax	(54,668)	(25,661)
Other equity	0	0

If the Australian dollar had weakened against the GBP by 5% (2009: 5%) then this would have had the following impact on profit and other equity.

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

2. Financial Risk Management (cont.)

Currency risk sensitivity analysis (cont.)

	2010 \$	2009 \$
Profit after tax	60,442	28,362
Other equity	0	0

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 exposure to foreign currency risk.

Other price risk

The Group is exposed to other price risk on its investments in listed unit trusts.

These investments are classified on the statement of financial position 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 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% (2009: 10%) this would have increased equity for the Group by \$23,201 (2009: \$14,926). A decrease of 10% (2009: 10%) would have reduced equity by the same amount. There would be no effect on profit.

Fair value hierarchy

The following table classifies financial instruments recognised in the statement of financial positions of the Group according to the hierarchy stipulated in AASB 7 as follows:

- **Level 1** – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- **Level 3** – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2010				
Assets				
Available for sale financial assets:				
- Listed unit trusts	232,008	-	-	232,008
	232,008	-	-	232,008
2009				
Assets				
Available for sale financial assets:				
- Listed unit trusts	149,258	-	-	149,258
	149,258	-	-	149,258

3. Revenue

	2010 \$	2009 \$
Revenue from:		
Sales of services	11,837,618	8,501,366
Interest income from other parties	102,721	333,345
Unit trust distributions	34,002	14,567
Total revenue	11,974,341	8,849,278

	2010 \$	2009 \$
4. Other Income		
Grants received	-	10,043
Sub-lease rental	62,650	62,644
Other	47,318	27,164
	109,968	99,851
5. Expenses		
Finance costs	2,055	1,899
Defined contribution superannuation expense	731,601	847,779
Net foreign exchange losses	72,927	22,511
Depreciation of plant and equipment	570,677	587,959
Amortisation of intangible assets	-	-
Total depreciation and amortisation	570,677	587,959
Loss on disposal of available-for-sale financial assets – unit trusts	-	5,717
Rental expense relating to operating leases – minimum lease payments	720,731	769,401
Loss on disposal of plant and equipment	48,083	972
Impairment losses – available-for-sale financial assets (2009: includes \$99,307 removed from equity – refer Note 9)	-	168,548
Impairment losses – trade receivables	11,028	11,028

6. Income Tax Expense

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

	2010 \$	2009 \$
Profit/(loss)	(5,723,715)	(10,917,219)
Prima facie tax expense/(income) on loss before income tax at the Australian tax rate of 30% (2009: 30%)	(1,717,115)	(3,275,166)
Add:		
Tax effect of amounts which are not deductible (taxable):		
Entertainment	22,286	9,243
Director and employee option expense	72,235	53,709
UK inter-company interest	209,982	-
UK withholding tax	68,650	-
Research and development	(84,000)	-
Non-taxable distributions	(3,150)	-
	(1,431,112)	(3,212,214)
Difference in overseas tax rates	55,317	110,553
Current year tax losses not brought to account	1,594,317	2,910,925
Current year temporary differences not brought to account	(218,522)	190,736
Income Tax Expense	-	-

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

6. Income Tax Expense (cont.)

(b) Deferred tax assets not brought to account

	2010 \$	2009 \$
Unused tax losses for which no deferred tax asset has been recognised	32,322,079	28,654,521
Deductible temporary differences for which no deferred tax asset has been recognised	9,877,002	9,736,122
	42,199,081	38,390,643
Potential tax benefit @ 30%	12,659,724	11,517,193

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

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

7. Cash and Cash Equivalents

	2010 \$	2009 \$
Cash on hand	583	667
Bank balances	5,613,687	5,619,462
	5,614,270	5,620,129

Bank balances include a cash management account held in Australia which bears a weighted average effective interest rate of 3.53% (2009: 2.56%), and deposits on call held in Australia and denominated in GBP, which bears a weighted average effective interest rate of nil% (2009: 0.22%). Cash on term deposit relates to GBP which matures on a monthly rolling basis.

Cash on hand is non interest bearing.

(a) Reconciliation of Cash

	2010 \$	2009 \$
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	5,614,270	5,620,129
	5,614,270	5,620,129

8. Trade and Other Receivables

	2010 \$	2009 \$
Trade receivables	1,873,101	1,488,672
Provision for impairment of receivables	(27,686)	(26,528)
	1,845,415	1,462,144
Prepayments	665,053	835,600
Deposits receivable	272,207	316,536
Other receivables	589,936	363,742
	1,527,196	1,515,878
	3,372,611	2,978,022

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 \$27,686 (2009: \$26,528) 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:

	2010 \$	2009 \$
Not more than 3 months	27,686	-
More than 3 months but not more than 6 months	-	26,528
More than 6 months but not more than 1 year	-	-
More than one year	-	-
Total	27,686	26,528

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:

	2010 \$	2009 \$
Not more than 3 months	610,594	251,783
More than 3 months but not more than 6 months	32,728	352,087
More than 6 months but not more than 1 year	8,183	8,267
More than one year	302,379	-
Total	953,884	612,137

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

	2010 \$	2009 \$
At 1 July	26,528	15,500
Provision for impairment recognised in the year	11,028	11,028
Receivables written off as uncollectible	(9,870)	-
Balance at 30 June	27,686	26,528

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

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

9. Financial Assets

	2010 \$	2009 \$
Available-for-sale financial assets	232,008	149,258
	232,008	149,258

(a) Available-for-sale Financial Assets comprise

	2010 \$	2009 \$
Listed investments		
Units in unit trusts	232,008	149,258
Total available-for-sale financial assets	232,008	149,258

(b) Impairment of available for sale financial assets.

There has been no impairment of available-for-sale financial assets in the year ended 30 June 2010.

In 2009, an impairment loss of \$168,548 was booked to the statement of comprehensive income 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(u).

10. Property, Plant and Equipment

	2010 \$	2009 \$
Furniture and equipment at cost	678,680	740,129
Accumulated depreciation	(266,519)	(216,139)
Total furniture and equipment	412,161	523,990
Computer equipment at cost	2,452,113	2,585,832
Accumulated depreciation	(1,509,656)	(1,217,999)
Total computer equipment	942,457	1,367,833
Total property, plant and equipment	1,354,618	1,891,823

30 June 2010

	Furniture, Fixtures and Fittings \$	Computer Equipment \$	Total \$
Balance at 1 July 2009	523,990	1,367,833	1,891,823
Additions	1,537	174,542	176,079
Disposals	(2,213)	(45,870)	(48,083)
Depreciation expense	(68,459)	(502,218)	(570,677)
Exchange differences	(42,694)	(51,830)	(94,524)
Balance at 30 June 2010	412,161	942,457	1,354,618

30 June 2009

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

11. Trade and Other Payables

	2010 \$	2009 \$
Unsecured liabilities		
Trade payables	601,298	976,051
Accrued expenses	669,765	538,638
Goods and Services Tax	185,709	307,479
Other payables	1,007,070	1,216,437
Unearned income	2,168,276	2,291,107
	4,632,118	5,329,712

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

12. Provisions

	2010 \$	2009 \$
Current		
Employee benefits	734,001	778,825
	734,001	778,825
Non Current		
Employee benefits	50,331	81,742
	50,331	81,742

13. Issued Capital

	2010 \$	2009 \$
2010: 208,569,737 (2009: 163,791,030) fully paid ordinary shares	44,847,706	38,476,239
	44,847,706	38,476,239

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

13. Issued Capital (cont.)

(a) Movement in ordinary share capital

Date	Details	Number of shares	Issue price \$	Total \$
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	0.25	117,039
30 June 2009	Balance	163,791,030		38,476,239
15 October 2009	Share Placement	24,500,000	0.15	3,675,000
18 November 2009	Rights issue	18,779,103	0.15	2,816,865
4 December 2009	Employee share bonus issue	710,000	0.15	106,500
15 March 2010	Shares issued to UK Non-Executive Directors in lieu of part of their director fees	789,604	0.15	118,439
	Share and Rights issue transaction costs	-	-	(345,337)
30 June 2010	Balance	208,569,737		44,847,706

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company 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 an adequate 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.

	2010 \$	2009 \$
Share capital	44,847,706	38,476,239
Available-for-sale financial assets revaluation reserve	(13,889)	-
Foreign currency translation reserve	(1,270,297)	(1,064,795)
Option reserve	350,275	222,972
Accumulated losses	(38,756,738)	(33,185,463)
Total capital	5,157,057	4,448,953

(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 21.

14. Reserves

	2010 \$	2009 \$
Reserves		
Available-for-sale financial assets revaluation reserve	(13,889)	-
Foreign currency translation reserve	(1,270,297)	(1,064,795)
Option reserve	350,275	222,972
Total	(933,911)	(841,823)

(a) Movement in reserves

Movements in reserves are detailed in the statement 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.

15. 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 & Managing Director
Donald Stammer	Non-Executive Director
Robert Edgley	Non-Executive Director
John Bryson	Non-Executive Director
Cathryn Nolan	Executive Director, Company Secretary & General Counsel

Other Key Management Personnel:

Christine Silcox	Operations Manager and Director of Praemium Australia Pty Ltd
Phillip Ince	Chief Technical Officer
Warren Gibson	National Marketing & Sales Manager and Director of Praemium Australia Pty Ltd
Gary Wilson	UK Chief Operating Officer
James Maramis	Institutional Sales Manager & Director Praemium Australia Pty Ltd
Steven Stamboultgis	Chief Financial Officer
John Martin	UK Managing Director

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

15. Key Management Personnel Disclosures (cont.)

(b) Key management personnel compensation

	2010 \$	2009 \$
Short term employee benefits	2,379,288	2,241,979
Post employment benefits	169,599	188,752
Long-term benefits	17,454	29,891
Share-based payments	97,669	64,508
	2,664,010	2,525,130

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 company 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.

2010	Balance 1 July 2009	Granted as compensation	Options exercised	Options lapsed	Options forfeited	Balance 30 June 2010
Parent entity directors						
Robert Edgley	135,000	-	-	135,000	-	-
Donald Stammer	162,000	-	-	162,000	-	-
Cathryn Nolan	72,000	-	-	72,000	-	-
John Bryson	405,000	-	-	135,000	-	270,000
Other key management personnel						
Christine Silcox	198,000	-	-	99,000	-	99,000
Phillip Ince	45,000	-	-	45,000	-	-
	90,000	-	-	45,000	-	45,000
Warren Gibson	72,000	-	-	72,000	-	-
	70,000	-	-	35,000	-	35,000
James Maramis	80,000	-	-	40,000	-	40,000
Steven Stamboultgis	-	70,000	-	-	-	70,000
	81,000	-	-	40,500	-	40,500
	90,000	-	-	45,000	-	45,000
John Martin	140,000	-	-	70,000	-	70,000
Gary Wilson	140,000	-	-	70,000	-	70,000
	1,780,000	70,000	-	1,065,500	-	784,500

2009	Balance 1 July 2008	Granted as compensation	Options exercised	Options lapsed	Other	Balance 30 June 2009
Parent entity directors						
Robert 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 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

1 Malcolm Lindsay Taylor resigned as non executive director effective 10 November 2008.

2 Christine Silcox resigned as executive director 10 November 2008. However, Ms. Silcox remained as operations director.

(d) Performance rights holdings

The number of performance rights held over ordinary shares in the company held during the financial year by each key management personnel of the Group are set out in the Directors' Report. As at the date of this report no performance rights have vested.

2010	Allotted Date	Balance 1 July 2009	Granted as compensation	Vested	Lapsed	Forfeited	Balance 30 June 2010
Christine Silcox	5 March 2010	-	500,000	-	-	-	500,000
Phillip Ince	5 March 2010	-	500,000	-	-	-	500,000
Warren Gibson	5 March 2010	-	500,000	-	-	-	500,000
James Maramis	5 March 2010	-	500,000	-	-	-	500,000
		-	2,000,000	-	-	-	2,000,000

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

15. Key Management Personnel Disclosures (cont.)

(e) Shareholdings directly and indirectly beneficially held

2010	Balance 1 July 2009	Received as compensation	Received on the exercise of options	Other changes during the year	Balance 30 June 2010
Parent entity directors					
Arthur Naoumidis	26,867,497	-	-	(2,000,000)	24,867,497
Donald Stammer	4,659,345	-	-	5,254,303	9,913,648
Robert Edgley	1,600,000	-	-	160,000	1,760,000
John Bryson	235,000	-	-	226,546	461,546
Cathryn Nolan	339,500	-	-	160,500	500,000
Other key management personnel					
Phillip Ince	1,000,000	10,000	-	50,000	1,060,000
Christine Silcox	1,709,000	10,000	-	270,900	1,989,900
Warren Gibson	600,000	10,000	-	170,000	780,000
Steven Stamboultgis	397,343	10,000	-	92,657	500,000
James Maramis	647,314	10,000	-	67,000	724,314
John Martin	164,269	10,000	-	-	174,269
Gary Wilson	-	10,000	-	-	10,000
	38,219,268	70,000	-	4,451,906	42,741,174

2009	Balance 1 July 2008	Received as compensation	Received on the exercise of options	Other changes during the year	Balance 30 June 2009
Parent entity directors					
Arthur Naoumidis	26,867,497	-	-	-	26,867,497
Malcolm Lindsay Taylor ³	2,725,001	-	-	637,000	3,362,001
Donald Stammer	4,659,345	-	-	-	4,659,345
Robert Edgley	1,600,000	-	-	-	1,600,000
Christine Silcox ⁴	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	-	-	(390,000)	600,000
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	-	-	734,314	41,581,269

³ Malcolm Lindsay Taylor resigned as non executive director effective 10 November 2008.

⁴ Christine Silcox resigned as executive director 10 November 2008. However, Ms. Silcox remained as operations director.

16. Auditors' Remuneration

	2010 \$	2009 \$
Remuneration of the auditor of the consolidated entity for:		
Audit and review of financial reports	64,500	62,000
Internal controls review	110,000	105,000
Taxation services	15,000	25,000
	189,500	192,000
Remuneration paid to other auditors for:		
Audit and review of financial reports	77,789	41,051
Taxation services	19,405	72,865
	97,194	113,916

17. Capital and Leasing Commitments

(a) Capital expenditure commitments

	2010 \$	2009 \$
Capital expenditure commitments contracted payable between 12 months and 5 years for:		
Property, plant and equipment	0	0
	0	0

(b) Operating lease commitments

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

	2010 \$	2009 \$
Payable minimum lease payments		
Not later than 12 months	739,614	795,149
Between 12 months and 5 years	3,118,035	2,131,496
	3,857,649	2,926,645

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.

18. Segment Information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the executive committee that are used to make strategic decisions.

The committee considers performance on a geographic basis and has identified 2 reportable segments, being Australia and the United Kingdom.

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

18. Segment Information (cont.)

(b) Segment information provided to the board of directors

The segment information provided to the board of directors for the reportable segments for the year ended 30 June 2010 is as follows:

2010	Australia	United Kingdom	Total
Revenue			
Total segment revenue	11,367,121	2,680,604	14,047,725
Inter-segment revenue	(364,389)	(1,845,718)	(2,210,107)
Revenue from external customers	11,002,732	834,886	11,837,618
EBITDA (loss)	(1,385,587)	(3,675,342)	(5,060,929)
Segment assets	8,174,340	2,399,167	10,573,507
Segment liabilities	(4,117,628)	(1,298,822)	(5,416,450)
Employee benefits expense	7,294,129	3,951,685	11,245,814
Additions to non-current assets (other than financial assets, deferred tax, post-employment benefit assets, rights arising under insurance contracts)	111,837	64,242	176,079

The segment information provided to the board of directors makers for the reportable segments for the year ended 30 June 2009 is as follows:

2009	Australia	United Kingdom	Total
Revenue			
Total segment revenue	8,856,828	3,118,286	11,975,114
Inter-segment revenue	(498,618)	(2,975,130)	(3,473,748)
Revenue from external customers	8,358,210	143,156	8,501,366
EBITDA (loss)	(4,717,147)	(5,960,025)	(10,677,172)
Segment assets	7,922,715	2,716,517	10,639,232
Segment liabilities	(4,422,746)	(1,767,533)	(6,190,279)
Employee benefits expense	7,318,854	5,664,253	12,983,107
Additions to non-current assets (other than financial assets, deferred tax, post-employment benefit assets, rights arising under insurance contracts)	193,336	90,123	283,459

The board of directors assesses the performance of the operating segments based on an adjusted EBITDA, being Earnings before Interest, Tax, Depreciation & Amortisation, as well as unit trust income which is considered a non-operational income item.

(c) Reconciliations

(i) Revenue

A reconciliation of segment revenue to entity revenue is provided as follows:

	2010 \$'000	2009 \$'000
Segment revenue	11,837,618	8,501,366
Interest income from other parties	102,721	333,345
Unit trust distributions	34,002	14,567
Total revenue	11,974,341	8,849,278

(ii) EBITDA

A reconciliation of EBITDA to operating profit before income tax is provided as follows:

	2010 \$'000	2009 \$'000
EBITDA (loss)	(5,060,929)	(10,677,172)
Depreciation and amortisation	(570,676)	(587,959)
Interest revenue	102,721	333,345
Unit trust income	34,002	14,567
Withholding tax	(228,833)	-
Net profit/(loss) before tax	(5,723,715)	(10,917,219)

(iii) Segment assets

The amounts provided to the board of directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Reportable segments' assets are reconciled to total assets as follows:

	2010 \$'000	2009 \$'000
Segment assets	10,573,507	10,639,232
Total assets as per the statements of financial position	10,573,507	10,639,232

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Australia is \$856,698 (2009: \$1,205,759) and the total of these non-current assets located in other countries is \$497,920 (2009: \$686,065). Segment assets are allocated to countries based on where the assets are located.

(iv) Segment liabilities

The amounts provided to the board of directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' assets are reconciled to total liabilities as follows:

	2010 \$'000	2009 \$'000
Segment liabilities	5,416,450	6,190,279
Total liabilities as per the statements of financial position	5,416,450	6,190,279

(d) Entity-wide information

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is \$11,002,732 (2009: \$8,358,210), and the total revenue from external customers in other countries is \$834,886 (2009: \$143,156). Segment revenues are allocated based on the country in which revenue and profit are derived.

Revenues of approximately \$1,800,000 (2009: \$1,100,000) are derived from a single external customer. These revenues are attributable to the Australian segment.

19. Events After the Balance Sheet Date

- On 13 September 2010 the Company announced that its wholly owned subsidiary, Praemium Australia Pty Ltd, has been issued shares in the capital of Powerwrap Limited pursuant to the terms of an agreement which provided that Powerwrap Limited could elect to make a minimum payment to secure ongoing access to Praemium's managed investments platform functionality on a limited exclusive basis. Accordingly Praemium Australia Pty Ltd now holds slightly less than 20% of the issued capital in Powerwrap Limited (an unlisted public company) and has the right to appoint a director.
- Other than as disclosed in (a), since 30 June 2010, 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 consolidated entity, the results of those operations or the state of affairs in subsequent financial years.
- The financial report was authorised for issue on 24 September 2010 by the board of directors.

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

20. Cash Flow Information

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

	2010 \$	2009 \$
Net income/loss for the period	(5,723,715)	(10,917,219)
Unit trust distributions	(34,002)	(14,567)
Non cash flows in profit from ordinary activities		
Depreciation	570,677	587,959
Option expense	277,287	204,985
Shares issued as employee bonus	224,939	117,039
Unrealised foreign exchange loss	72,927	22,511
Loss on disposal of plant and equipment	48,083	972
Impairment of available-for sale investments	-	168,548
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(394,589)	(721,586)
Increase/(decrease) in trade payables and accruals	(681,242)	3,070,606
Increase/(decrease) in employee provisions	(76,235)	329,261
Net cash (used by) /provided from operating activities	(5,715,870)	(7,151,491)

21. 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 company'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:

1st Series -

Exercise Price:	\$0.50 (being a premium to the IPO Issue Price of 25%)
Vesting Date	12 months after listing date of 11 May 2006
Expiry Date	24 months after listing date of 11 May 2006

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

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

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

21. Share based Payments (cont.)

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

On December 31 2009 the following options were issued.

Exercise Price:	\$0.165
Vesting Date	31 December 2009
Expiry Date	30 September 2011

On March 15 2010 the following options were issued.

Exercise Price:	\$0.155
Vesting Date	15 March 2010
Expiry Date	30 September 2011

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 company'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 or performance rights and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options or performance rights. However, the company 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 and performance right holders the opportunity to exercise their options or performance rights 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 Praemium Limited is reconstructed, all rights of an option or performance right holder are to be changed in a manner consistent with the ASX Listing Rules.

The fair value of options is estimated at the date of grant using the Black-Scholes model.

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

2010

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 2010	\$0.78	486,000	-	-	486,000	-	-
7 Aug 2007	6 Aug 2009	\$1.08	135,000	-	-	135,000	-	-
	6 Aug 2010	\$1.32	135,000	-	-	-	135,000	135,000
	6 Aug 2011	\$1.67	135,000	-	-	-	135,000	-
10 Oct 2008	9 Oct 2009	\$0.25	1,662,801	-	-	1,662,801	-	-
	9 Oct 2010	\$0.30	1,580,796	-	-	313,998	1,266,798	1,266,798
31 Dec 2008	30 Dec 2009	\$0.25	312,200	-	-	312,200	-	-
	30 Dec 2010	\$0.30	716,667	-	-	-	716,667	716,667
	30 Dec 2011	\$0.35	62,286	-	-	-	62,286	-
31 Dec 2009	30 Sept 2011	\$0.165	-	520,000	-	80,000	440,000	440,000
15 Mar 2010	30 Sept 2011	\$0.155	-	920,000	-	-	920,000	920,000
			5,225,750	1,440,000	-	2,989,999	3,675,751	3,478,465
Weighted average exercise price			\$0.41	\$0.16	\$0.00	\$0.38	\$0.34	\$0.29

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 Aug 2007	06 Aug 2009	\$1.08	135,000	-	-	-	135,000	135,000
	06 Aug 2010	\$1.32	135,000	-	-	-	135,000	-
	06 Aug 2011	\$1.67	135,000	-	-	-	135,000	-
10 Oct 2008	9 Oct 2009	\$0.25	-	1,662,801	-	-	1,662,801	1,662,801
	9 Oct 2010	\$0.30	-	1,580,796	-	-	1,580,796	-
31 Dec 2008	30 Dec 2009	\$0.25	-	312,200	-	-	312,200	312,200
	30 Dec 2010	\$0.30	-	716,667	-	-	716,667	-
	30 Dec 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	

The weighted average remaining contractual life of options outstanding at the end of the year was 0.35 years (2009: 0.90 years).

(b) Performance rights

Performance rights granted to key employees and will be vested in the respective employee on the vesting date upon the employee successfully meeting two criteria. Firstly the employee must still be an employee as at the vesting date. Secondly, the employee must successfully deliver upon certain measurable key performance indicators.

2010

Grant date	Vesting date	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
5 March 2010	30 Sept 2010	-	2,000,000	-	2,000,000	-
	30 Sept 2011	-	1,000,000	-	1,000,000	-
	30 Sept 2012	-	1,000,000	-	1,000,000	-
		-	4,000,000	-	4,000,000	-
25 May 2010	30 Oct 2010	-	100,000	-	100,000	-
	30 Oct 2011	-	50,000	-	50,000	-
	30 Oct 2012	-	50,000	-	50,000	-
		-	4,200,000	-	4,200,000	-

2009

No performance rights were on issue in 2009.

(c) 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 – 2010	1,499,604	224,939	0.15
Consolidated – 2009	468,156	117,039	0.25

Notes to the Financial Statements (cont.)

For the Year Ended 30 June 2010

21. Share based Payments (cont.)

(d) 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:

	2010 \$	2009 \$
Options issued under employee option plan	105,212	204,985
Shares issued as employee bonus	224,939	117,039
Performance rights	174,531	-
	504,682	322,024

22. Earnings per Share

(a) Reconciliation of earnings to profit or loss

	Consolidated Entity	
	2010 \$	2009 \$
Profit/(loss)	(5,723,715)	(10,917,219)
Earnings used to calculate basic EPS	(5,723,715)	(10,917,219)
Earnings used in calculation of diluted EPS	(5,723,715)	(10,917,219)

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

	Consolidated Entity	
	2010	2009
Weighted average number of ordinary shares outstanding during the year.		
Number used in calculating basic EPS	208,569,737	163,324,157
Number used in calculating diluted EPS	212,769,737	163,324,157

4,069,749 (2009: 5,504,750) options outstanding are not included in the calculation of diluted earnings per share because they are anti-dilutive for the years ended 30 June 2010 and 2009. This is because conversion to ordinary shares would decrease the loss per share.

23. Parent Entity Information

The following details information related to the parent entity, Praemium Limited, at 30 June 2010. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2010 \$	2009 \$
Current assets	4,096,583	636,034
Non-current assets	20,041,913	15,443,024
Total assets	24,138,496	16,079,058
Current liabilities	9,388,683	933,999
Non current liabilities	30,798	59,349
Total Non current liabilities	9,419,481	993,348
Contributed equity	44,847,706	38,476,239
Accumulated losses	(30,468,634)	(23,613,501)
Option reserve	350,275	222,972
Available-for-sale financial assets revaluation reserve	(10,332)	-
Total equity	14,719,015	15,085,710
Profit / (loss) for the year	(7,007,571)	(12,603,636)
Other Comprehensive income/(loss) for the year	(10,332)	99,307
Total comprehensive income/(loss) for the year	(7,017,903)	(12,504,329)

Included in the capital commitments in Note 17 for capital expenditure commitments contracted payable between 12 months and 5 years for property, plant and equipment by the parent entity in 2010 is \$219,000.

24. Company Details

Registered office

The registered office of the company is:

Praemium Limited
406 Collins Street
Melbourne
Victoria 3000

Auditor's Independence Declaration



Grant Thornton

Grant Thornton Audit Pty Ltd
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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 2010, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Michael Cunningham
Director - Audit & Assurance Services

Melbourne, 24 September 2010

Independent **Audit Report**



Grant Thornton

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Independent Auditor's Report To the Members of Praemium Limited

Report on the financial statements

We have audited the accompanying financial statements of Praemium Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements 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 statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements 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 statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors also state, in the notes to the financial statements, 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 statements, 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 statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent **Audit Report** (cont.)



Grant Thornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- a the financial statements of Praemium Limited are in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial statements also comply with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included in pages 22-26 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



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Auditor's opinion on the remuneration report

In our opinion, the Remuneration Report of Praemium Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'Grant Thornton', written in a cursive, flowing style.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Michael Cunningham', written in a cursive, flowing style.

Michael Cunningham
Director - Audit & Assurance Services

Melbourne, 24 September 2010

Notes

Notes

