



## Half Year Results

20 February 2008

Praemium Ltd's half year results (Appendix 4D, Directors Report, Independent Auditors' Review, Accounts for the Half year Ending 31 December 2007 and notes to those accounts) are submitted in accordance with the requirements of the Corporations Act 2001 and the Listing Rules.

Praemium's Managing Director, Mr Arthur Naomidis, will comment on the results in an online broadcast to be published by tomorrow by Boardroom Radio. The broadcast can be accessed at any time from 9am on 21 February from the company's website:

<http://www.praemium.com.au/asx-announcements.html>.

An email will be dispatched to all shareholders who have provided their email details to the share registry today advising that the half year results and the broadcast are available for review from the Company's website.

**About Praemium:** Praemium supplies online portfolio administration services (V-Wrap), market data (p-Desktop) and Separately Managed Account (SMA) technology to wealth managers, financial planners, accountants, stockbrokers and SMSF administrators. V-Wrap currently administers in excess of \$28bn.

## PRAEMIUM LIMITED

098 405 826

### APPENDIX 4D

ASX HALF-YEAR REPORT

Name of entity:	Praemium Limited
ABN:	74 098 405 826
Reporting period:	Half-year ended 31 December 2007
Previous corresponding period:	Half-year ended 31 December 2006

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

##### RESULTS

Revenue from ordinary activities	up 57.4%	to 3,374,827
Loss from ordinary activities after tax attributable to members	down 81.9%	to (6,296,230)
Net loss for the period attributable to members	down 81.9%	to (6,296,230)

Dividends	Amount per security	Franked amount per security
<b>Current period</b>	-	-
Ordinary dividend	-	-
<b>Previous corresponding period</b>	-	-
Ordinary dividend	-	-
No dividends are proposed for the period		

##### BRIEF EXPLANATION OF THE FIGURES REPORTED ABOVE:

Refer to the attached Half-Year Report (Directors' Report – Review of Operations section), for commentary on the half-year results.

No dividends have been proposed for the period.

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NOTES TO APPENDIX 4D – FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

NET TANGIBLE ASSETS PER SECURITY

	Current period	Previous period
Net tangible asset backing per ordinary security	8.70 cents	10.84 cents

CONTROL GAINED OVER ENTITIES HAVING A MATERIAL EFFECT

Name of entity (or group of entities)	N/A
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LOSS OF CONTROL OF ENTITIES HAVING A MATERIAL EFFECT

Name of entity (or group of entities)	N/A
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ADDITIONAL DIVIDEND INFORMATION

Details of dividend declared or paid during or subsequent to the current period or the previous corresponding period are as follows:

Record date	Payment date	Type	Amount per security	Franked amount per security	Total dividend

DIVIDEND REINVESTMENT PLAN

Not applicable.

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DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Name of entities		
	Current period	Previous period
Consolidated entity's percentage holding in each of these entities	-	-
Aggregate share of profits after tax of these entities	-	-
Contribution to net profit after tax	-	-
Contribution to net profit after tax	-	-

COMPLIANCE STATEMENT

This report is based on financial statements reviewed by the auditor, copies of which are attached.

Signed:



Arthur Naoumidis  
Managing Director  
20 February 2008

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## DIRECTORS' REPORT

The directors present their report, together with the condensed financial report of the consolidated entity consisting of Praemium Ltd and the entities it controls, for the half year ended 31 December 2007 and an independent review report thereon. This financial report has been prepared in accordance with Australian International Financial Reporting Standards.

### DIRECTORS' NAMES

Dr Donald Stammer  
Mr Arthur Naoumidis  
Mr Robert Edgley  
Mr Malcolm Taylor  
Mr John Bryson  
Ms Christine Silcox  
Ms Cathryn Nolan

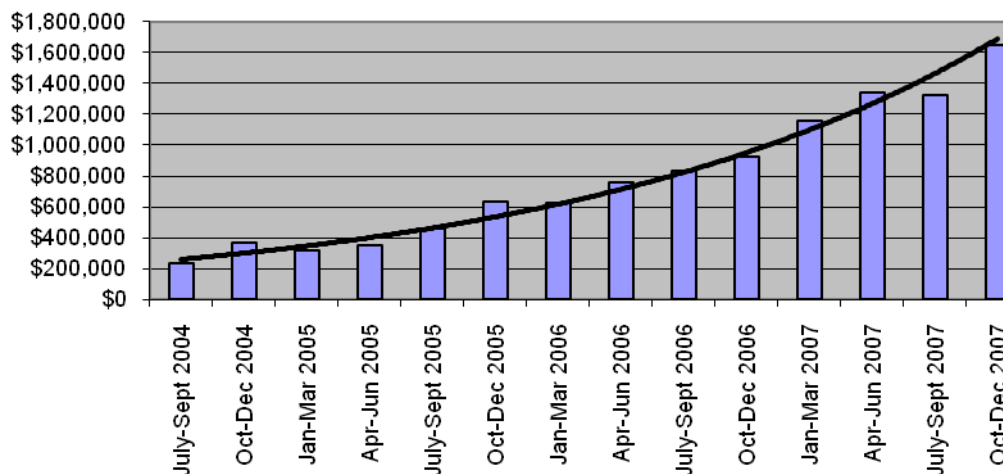
Mr Bryson and Ms Nolan were appointed on 7 August 2007. Each of the other directors has been in office since prior to the start of the financial period.

### REVIEW OF OPERATIONS

#### FINANCIAL SUMMARY

The company and its controlled entities made a net loss of \$6,296,230 after tax for the half year ended 31 December 2007. This compares with a net loss in the preceding period of \$3,459,988. The Group's net asset position is \$12,456,149 whilst its cash or cash equivalents as at December 31 are \$10,366,209.

**Quarterly Net Invoiced Revenue**



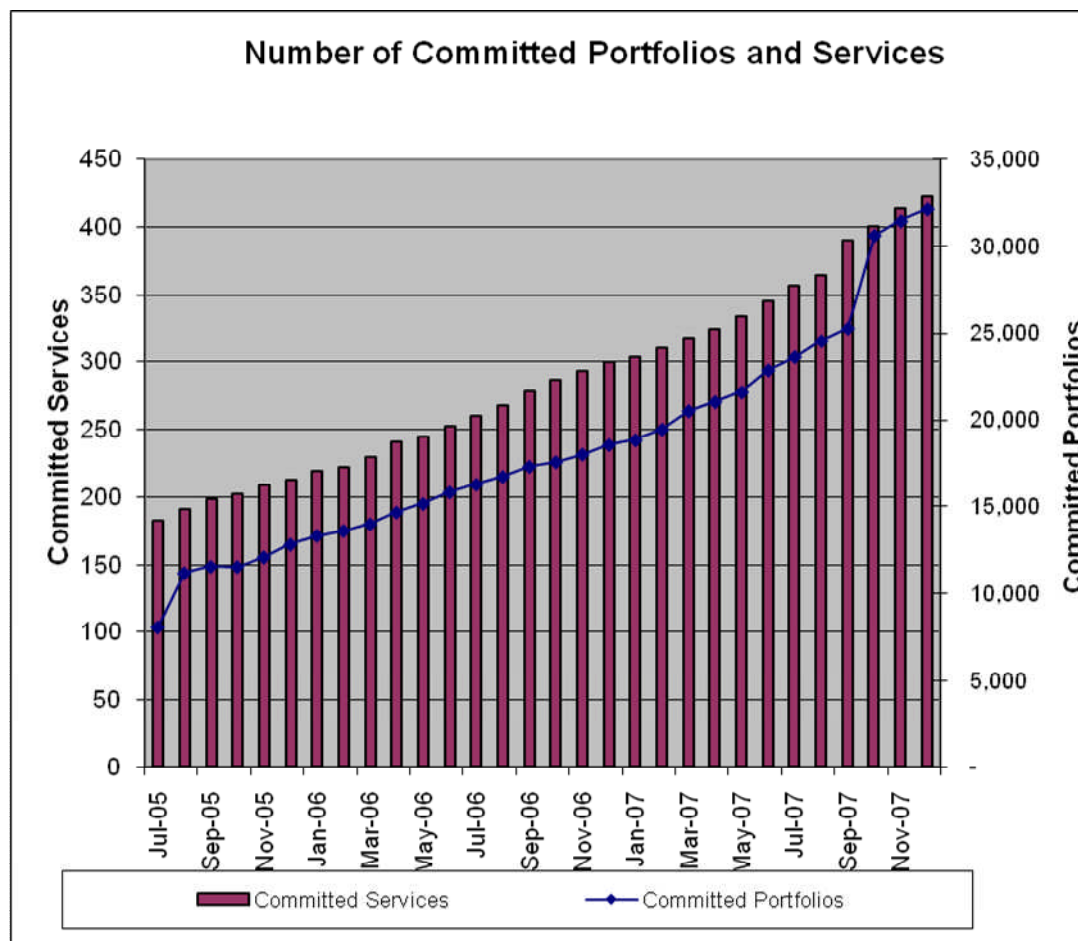
# Praemium Limited

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## Directors' Report

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### NUMBER OF CLIENTS AND PORTFOLIOS UNDER MANAGEMENT



### VALUE OF FUNDS ADMINISTERED WITH PRAEMIUM'S SMA PLATFORM

As at the end of the financial period funds under management recorded on Praemium's SMA platform was \$323 million (up from \$193 million at the commencement of the financial year).

### SIGNIFICANT ACHIEVEMENTS

The Company reported the following significant achievements during the financial period:

#### AUSTRALIA:

- **Praemium selection by UBS Wealth Management**, Australia's largest wealth management business, as its preferred tenderer for the provision of portfolio administration and capital gains tax reporting services;
- **Praemium's appointment by Evans & Partners**, a new full service stock brokerage firm established in November 2007, to provide both front and back office software services;

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- **Praemium's appointment by Prime Financial Group Ltd** as its preferred supplier of portfolio administration services to financial services firms in the Prime network;
- **Successful integration of V-Wrap corporate action and capital gains tax reporting tools into Asgard's e-wrap platform..**

### UNITED KINGDOM:

- **FSA authorisation granted to Praemium's UK subsidiary, SMArt Operator Ltd, authorising it to manage funds.** This was a significant milestone in the road towards launching an SMA utilising Praemium's proprietary technology in the United Kingdom. This was followed on 31 December 2007 with the submission to the FSA of our application for the authorisation of the SMArtFUND, our unique SMA offering structured for the UK regulatory and tax environment;
- **Praemium's UK subsidiary entering into a memorandum of understanding with Cofunds** to provide key services and reporting tools. Cofunds is a leading UK platform with over £14.6 billion in assets under administration;

### OVERVIEW

- Operational revenues for the half year period ending 31 December 2007 were \$2.9million<sup>1</sup>, an increase of \$1.2million (69.5%) over half year period ending 31 December 2006.
- The Group's cash position at the end of the period exceeded \$10million. It has no debt.
- The Group has now achieved its resource requirements for its current markets and the directors are confident that Praemium can continue to grow its business, revenues and market share as well as continue its development programs.
- The core business, V-Wrap, continues to grow and the benefits of scale are beginning to be achieved.
- We remain confident that the SMA business will continue to grow and achieve considerable success as the SMA gains acceptance as an investment product in Australia;
- The opportunities for the business in the UK are significant. Our business is poised to move quickly when authorisation for our unique SMArtFUND is obtained from the UK Financial Services Authority.

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<sup>1</sup> Operating revenue represents revenue for 31 December 2007 of \$3.385mil less bank interest.

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### THE AUSTRALIAN BUSINESS:

#### THE AUSTRALIAN V-WRAP BUSINESS IS NOW CONSISTENTLY PROFITABLE ON A STAND ALONE BASIS

The Company reports on a consolidated basis and segment information is provided on a regional basis. A significant proportion of our costs of global research and development are incurred in Australia. The benefits of this research and development are utilised by both the Australian operating business and the UK Business. A majority of the development and corporate activity undertaken in Australia during the period has been in connection with our plans for the UK and the development of the new p-desktop product in Australia as a separate business unit, the V-Wrap business of Praemium Australia Pty Ltd is now consistently profitable.

The following table summarises operating performance by reference to business unit (as opposed to region):

Half Year to December 2007	Operating Revenue <sup>2</sup> (000)	Direct Costs (000)	Operating EBITDA (000)	Allocated share of Corporate Costs* (000)	EBITDA net of Corporate Costs (000)
<b>Australia</b>					
V Wrap	2,854	1,598	1,256	974	282
SMA	107	457	(350)	278	(628)
Desktop	7	228	(221)	139	(360)
<b>UK</b>		3,572	(3,572)	2,177	(5,749)
<b>Total</b>	2,968	5,855	(2,887)	3,568	(6,455)

\*Corporate Costs include all research and development costs, information technology infrastructure (servers, data centre, redundancy etc) as well as all shared services including premises (Australia); project management, marketing, finance, legal, compliance and company secretariat staff etc They have been allocated between the business units in the same proportions as costs generally relate those businesses.

#### JULY – DECEMBER 2007 - A FOCUS ON DEVELOPMENT

Praemium's focus of the 6 months to 31 December 2007 has been the completion of development enabling the fast track release of enhancements to the core components of our technology strategy enabling us to continue to be the foremost provider of service solutions for portfolio administration and capital gains tax reporting to the Australian financial services sector. Many of our development projects aimed at ensuring that our services are sufficiently automated to enable their use by larger institutional clients, focusing on development of multi currency/multi exchange functionality (which is

<sup>2</sup> As noted above, Operating Revenue excludes interest.

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currently in beta testing), increased automation (in particular the introduction of new interfaces with popular external data feeds), enhancement of audit trail and compliance functionality and the streamlining of operational and user interfaces to increase efficiencies for our clients.

Now that this relatively intense requirement for development activity has been satisfied, we are in a strong position with a solid team of experienced developers to focus on new features and enhancements designed to ensure that the technology supporting Praemium's Services remains the market leader.

### STAFF & RESOURCES

Praemium's staff numbers continued to increase over the reporting period to meet the requirements of this period of development and growth, however, they are expected to remain relatively static over the remainder of this financial year and into the next reporting period. The following table shows the growth in staff numbers since June 2006.

Location	December 2007	December 2006	June 2006
<b>Australia:</b>			
Operations / Client Service	8	9	6
Sales & Marketing	8	6	3
Executives	3	2	2
R&D /IT	25	11	7
Finance, Compliance & Legal	5	5	4
<b>Total Australia</b>	<b>49</b>	<b>23</b>	<b>22</b>
<b>UK</b>			
Operations/Client Service	10	7	1
Sales & Marketing	2	1	
Executives	1	1	1
Finance & Compliance	3	1	
<b>Total UK:</b>	<b>16</b>	<b>11</b>	<b>2</b>
<b>Total</b>	<b>65</b>	<b>44</b>	<b>24</b>

Notwithstanding the significant growth that the Group has been experiencing, the Directors consider that Group has now achieved sufficient efficiencies and staff numbers to result in greater capacity to offer its services without further significant increase to resources.

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### LEADERS IN SMSF MARKET

Approximately 13,200 of the portfolios recorded in V-Wrap (representing in the order of \$11 billion of the assets under administration) relate to self managed superannuation fund (SMSF) portfolios which we believe makes Praemium one of the largest SMSF administration platforms in Australia.

Praemium believes that its success in this market segment has resulted both from the functionality offered by the system together with a flat fee structure which, when compared to fees that are based on the value of the assets in a fund, can result in significant cost savings. We plan to focus on further enhancing features and functionality relevant to the SMSF user over the coming year with a view to continuing to increase our market share in this segment.

### WE VALUE TALKING WITH OUR CLIENTS

During the financial period we instituted a "User Group" program, designed to facilitate dialogue between ourselves and our clients and our clients with each other about our Services and their requirements. The feedback from these groups has been very positive and a number of development strategies and priorities have been determined in response to the valuable feedback we receive from the community of V-Wrap and p-Desktop users.

In December 2007 we conducted a survey of our clients with a view to better gain an understanding of what we are doing well and where we can improve. 43% of our clients responded to the survey and the majority of those surveyed are very satisfied with both the systems and the services that we provide. In particular the V-Wrap corporate action, reporting, capital gains tax and automation facilities were singled out in responses to unprompted questions as things that we do well, along with the responsiveness and knowledge of our client service team. We plan to continue to undertake regular research of this type going forward and to utilise the feedback received from our clients in this way in planning and prioritising system enhancements and new functionality.

One of the key issues raised by clients both in User Group meetings and in responses to questions raised in our Client Survey about what we could do better related to the automation of the process of feeding cash management account information from a particular bank into V-Wrap. This automated facility was implemented on 1 February 2008.

In December we also released the first of our monthly client newsletters, also designed to further engage our user base with our services. Whilst it remains very early days, this initiative has been very well received.

### V-WRAP

V-Wrap has grown to 32,160 committed portfolios under administration as at 31 December 2007, up from 22,860 at 30 June 2007, an increase during the financial period of approximately 40%. As at the end of the financial period, there were 423 firms signed as clients using V-Wrap, representing a growth of approximately 22% during the first half of this financial year.

# Praemium Limited

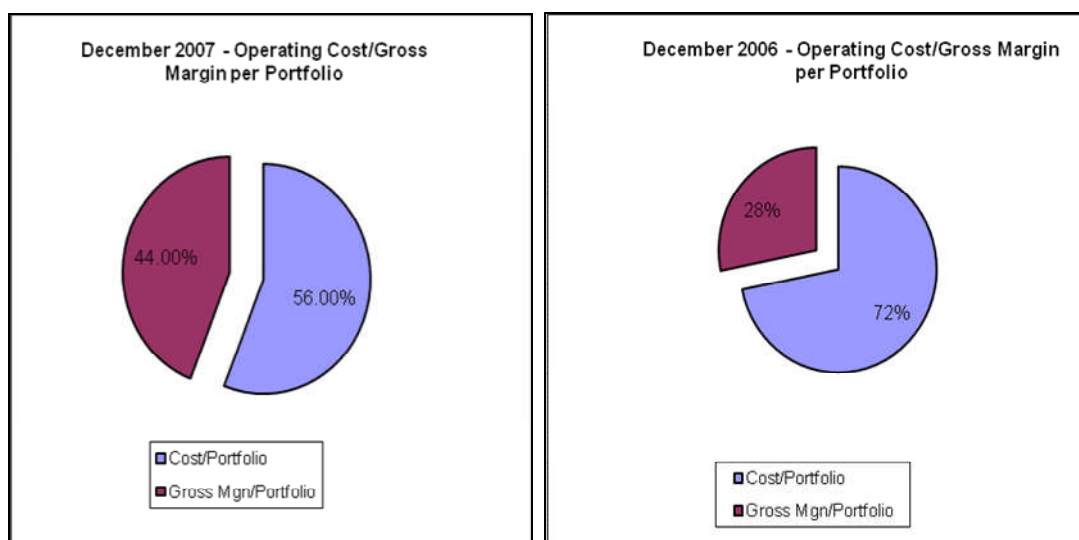
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As mentioned above, additional functionality and enhancements are constantly being incorporated into our core offering. For example, during the reporting period V-Wrap became available to users of non-Microsoft operating systems, including Apple Macintosh/OSX/ Leopard, Firefox and Linux users.

As the numbers of portfolios grow, we are able to take advantage of the benefits of scale and as a consequence our operating margins also grow. The following charts demonstrate that our gross margin (before Corporate costs) per committed portfolio<sup>3</sup> has increased to 44% in the financial period ending 31 December 2007 (from 28% in the corresponding period in the previous financial year).



### P-DESKTOP

As at 31 December 2007, 97 firms have entered into agreements to brand and deploy p-Desktop, Praemium's proprietary market data and portfolio monitoring application.

Praemium's strategy of allowing all of its V-Wrap users and users of its SMA platform technology the opportunity to distribute p-Desktop under their own branding and livery is aimed at increasing penetration of V-Wrap portfolios. However, we have also developed and enhanced independent features and functionality of p-Desktop with a view to deriving additional revenue streams from its deployment whilst continuing to further engage end users and increasing the efficiencies that the combined V-Wrap and p-Desktop services provide.

During the 6 month period to 31 December a significant complement of our development team were committed to the resourcing the fast tracking of the implementation and deployment of p-Desktop and the addition of significant functionality since initial launch. As foreshadowed in our announcement in November of our appointment by Evans & Partners to provide portfolio administration tools and other backoffice support to the newly established full service stockbroking firm, we plan to commence the pilot phase of testing direct market access (trading) functionality into p-Desktop in the coming weeks. Apart from enhancing the attractiveness of p-Desktop and V-Wrap in

<sup>3</sup> V-Wrap portfolios, Australia only.

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combination to the market generally and stock broking firms in particular, the release of this functionality will commence the new stream of revenue over the second half of this financial year.

### SEPARATELY MANAGED ACCOUNTS: SMA

As at the end of the financial period more than 65 services are currently using Praemium's proprietary SMA platform (through agreements that those services have with BlackRock Investment Managers Ltd who is currently the exclusive operator of managed investment schemes that utilise Praemium's proprietary SMA platform). Funds under management by managed investment schemes utilising this platform reached \$323million by the end of the period.

We continue to be pleased with the solid growth of interest and activity in respect to SMAs which remain a relatively new offering in the Australian market. SMAs utilising Praemium's proprietary technology, being those that are currently operated by BlackRock Investment Managements Ltd, are consistently recognised as "best of breed" offerings in this market sector.

### IMPACT OF MARKET TURBULENCE ON PRAEMIUM'S BUSINESS

The end of 2007 and the beginning of 2008 have seen significant turbulence in Australian (and global) financial markets. If this continues, the directors expect that financial advisors and others involved in the management and administration of investment funds will be even more mindful of cost and efficiencies in the management of their businesses. Praemium's low flat fee structure should be more attractive than the billing methodologies of our competitors in this market.

### UNITED KINGDOM

Praemium continues to make significant progress towards launching its operational businesses in the UK.

Where the 2007 financial year saw a long period of consolidation involving the employment of staff, research and development, technology and business process development etc, the first half of this financial year has seen significant progress towards receiving the authorisations required to launch what is expected to be a unique financial product in the United Kingdom. The application for the authorisation of the first SMArt Fund was lodged with the UK Financial Services Authority (the FSA) on New Year's Eve. This was an important milestone in the process of establishing our SMA business in the UK, and follows the receipt by Praemium's wholly owned subsidiary in the UK (SMArt Operator Ltd) of the authorisation to operate as a fund manager at the beginning of the period in August 2007, making it one of approximately 200 entities holding equivalent authorisations in one of the world's largest financial markets.

Because the SMArt Fund proposition is unique, preparation of the prospectus and other documentation required in connection with the application, and required by the FSA as well as the proposed trustee/custodian of the offering, has been a complex process. A significant amount of due diligence, particularly in respect to the unique legal structure proposed and the compliance requirements for operations, has been required by the other stakeholders in the process – in particular the proposed trustee and its lawyers (both of which are leading international firms).

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When the authorisation is received from the FSA, Praemium will be in a position to launch the SMArtFund (its unique version of the SMA for the UK market) and commence operations in the UK. The Group can not give any firm guidance on the amount of time that it may take the FSA to consider its application and to provide a final response.

In parallel, Praemium's UK subsidiaries have been working closely with its foundation partners, in particular Cofunds and Capita, to finalise the development of services to be deployed in partnership with those major participants in the UK financial services industry. Praemium is confident that the first pilot project with Cofunds will be launched early in the fourth quarter of this financial year, whilst significant progress with its project with Cofunds is awaiting the FSA's authorisation and the launch of SMArtFUND.

Readers are reminded that all development costs, including the costs of establishing our UK office, have been expensed.

### CORPORATE GOVERNANCE

As reported in our annual report, the Praemium board has resolved to move towards early adoption of the Corporate Governance principles and recommendations released in August 2007. As a consequence it has redesigned its committee structures so that in addition to its Audit & Compliance and Remuneration committees, it has recently formed a separate Risk Committee, to be chaired by John Bryson, an independent non executive director.

The Board Charter and the Charters for each of the committees are each in the process of review against the revised corporate governance principals, and it is expected that the Company will report against the new principles and recommendations for this financial year.

### AUDITOR'S DECLARATION

A copy of the auditor's declaration in respect of the review for the half year is provided with this report.

Signed in accordance with the resolution of the Directors.



Director .....

Arthur Naoumidis  
20 February 2008

# AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Praemium Limited:

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2007 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001; and
- no contraventions of any applicable code of professional conduct in relation to the review.



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William Buck  
Chartered Accountants



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Brad Taylor  
Partner

Dated this 20<sup>th</sup> day of February 2008.

Melbourne, Australia.

# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Praemium Limited

## REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of Praemium Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity. The consolidated entity comprises both the company and the entities it controlled during that half-year.

## DIRECTORS' RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Praemium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## INDEPENDENCE

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

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**MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL REPORT**

This review report relates to the financial report of Praemium Limited for the half year ended 31 December 2007 included on Praemium Limited's website. The company's Directors are responsible for the integrity of Praemium Limited's website. We have not been engaged to report on the integrity of Praemium Limited's website. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to / from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this website.

**CONCLUSION**

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

- a) Giving a true and fair view of the Praemium Limited's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.



William Buck  
Chartered Accountants



Brad Taylor  
Partner

Dated this 20<sup>th</sup> day of February 2008.

## ACCOUNTS FOR THE HALF YEAR ENDING 31 DECEMBER 2007

### CONDENSED INCOME STATEMENT

	<b>Economic Entity Half Year 2007</b>	<b>Economic Entity Half Year 2006</b>
	\$	\$
Revenue	3,374,827	2,144,432
Other income	10,430	825
Employee costs	(6,412,682)	(2,971,840)
Depreciation, amortisation and impairments	(253,214)	(114,412)
Legal, professional, advertising and insurance expense	(1,358,335)	(1,537,625)
Commissions expense	(86,661)	(69,501)
Travel expenses	(316,667)	(264,353)
Telecommunication Costs	(191,919)	(101,803)
IT Support Expenses	(191,338)	(86,388)
Net Foreign Exchange (losses)/gains	(104,479)	(2,828)
Occupancy Costs	(481,042)	(248,510)
Other expenses	(285,150)	(207,985)
<b>Profit before income tax expense</b>	<b>(6,296,230)</b>	<b>(3,459,988)</b>
Income tax expense	-	-
<b>Profit attributable to members of the parent entity</b>	<b>(6,296,230)</b>	<b>(3,459,988)</b>
Basic earnings/(loss) per share (cents per share)	<b>(0.057)</b>	<b>(0.026)</b>
Diluted earnings/(loss) per share (cents per share)	<b>(0.056)</b>	<b>(0.026)</b>

The accompanying notes form part of these financial statements

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## Accounts for the Half Year ending 31 December 2007

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### CONDENSED BALANCE SHEET

	Economic Entity 31 December 2007	Economic Entity 30 June 2007
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	10,366,209	16,763,182
Trade and other receivables	1,870,188	1,844,801
<b>Total current assets</b>	<b>12,236,397</b>	<b>18,607,983</b>
<b>Non-current assets</b>		
Financial assets	353,334	385,557
Property, plant and equipment	2,326,564	2,124,099
Intangible assets	-	11,658
<b>Total non-current assets</b>	<b>2,679,898</b>	<b>2,521,314</b>
<b>TOTAL ASSETS</b>	<b>14,916,295</b>	<b>21,129,297</b>
<b>Current liabilities</b>		
Trade and other payables	2,100,951	2,078,098
Provisions	331,386	343,627
<b>Total current liabilities</b>	<b>2,432,337</b>	<b>2,421,725</b>
<b>Non-current liabilities</b>		
Provisions	27,809	19,617
<b>Total non-current liabilities</b>	<b>27,809</b>	<b>19,617</b>
<b>TOTAL LIABILITIES</b>	<b>2,460,146</b>	<b>2,441,342</b>
<b>NET ASSETS</b>	<b>12,456,149</b>	<b>18,687,955</b>
<b>Equity</b>		
Share capital	30,756,538	30,306,672
Reserves	(395,452)	(10,010)
Accumulated (losses)	(17,904,937)	(11,608,707)
<b>TOTAL EQUITY</b>	<b>12,456,149</b>	<b>18,687,955</b>

The accompanying notes form part of these financial statements

# Praemium Limited

ACN 098 405 826

## Accounts for the Half Year ending 31 December 2007

20 February, 2008

### CONDENSED STATEMENT OF CHANGES IN EQUITY

	Economic Entity 2007					
	Ordinary Shares \$	Retained Earnings \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Assets Available for sale Revaluation Reserve \$	Total \$
Equity as at July 1 2007	30,306,672	(11,608,707)	(101,329)	36,528	54,791	18,687,955
<b>Net income recognised directly in equity</b>						
Equity raising costs						
Foreign currency translation reserve			(341,429)			(341,429)
Assets available for sale Revaluation reserve					(46,492)	(46,492)
Transfer from Option Reserve	6,774			(6,774)		0
<b>Sub-total</b>	<b>6,774</b>		<b>(341,429)</b>	<b>(6,774)</b>	<b>(46,492)</b>	<b>(387,921)</b>
<b>Recognised income and expense for the year</b>						
Loss attributable to members of the parent entity		(6,296,230)				(6,296,230)
<b>Sub-total</b>		<b>(6,296,230)</b>				<b>(6,296,230)</b>
Issue of Shares	443,092					443,092
Option reserve				9,253		9,253
<b>Sub-total</b>	<b>443,092</b>			<b>9,253</b>		<b>452,345</b>
<b>Equity as at 31 December 2007</b>	<b>30,756,538</b>	<b>(17,904,937)</b>	<b>(442,758)</b>	<b>39,007</b>	<b>8,299</b>	<b>12,456,149</b>

The accompanying notes form part of these financial statements

# Praemium Limited

ACN 098 405 826

## Accounts for the Half Year ending 31 December 2007

20 February, 2008

### CONDENSED STATEMENT OF CHANGES IN EQUITY

	Economic Entity 2006					Total \$
	Ordinary Shares \$	Retained Earnings \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Assets Available for sale Revaluation Reserve \$	
Equity as at July 1 2006	19,923,967	(2,207,632)	(12,058)	43,882	-	17,748,159
<b>Net income recognised directly in equity</b>						
Equity raising costs	(26,423)					(26,423)
Foreign currency translation reserve			(8,489)			(8,489)
Assets available for sale Revaluation reserve					43,084	43,084
Retained Earnings correction to 30 June 2006		(64)				(64)
<b>Sub-total</b>	<b>(26,423)</b>	<b>(64)</b>	<b>(8,489)</b>		<b>43,084</b>	<b>8,108</b>
<b>Recognised income and expense for the year</b>						
Loss attributable to members of the parent entity		(3,459,988)				(3,459,988)
<b>Sub-total</b>		<b>(3,459,988)</b>				<b>(3,459,988)</b>
Option reserve				(21,083)		(21,083)
<b>Sub-total</b>	-	-	-	(21,083)	-	(21,083)
<b>Equity as at 31 December 2006</b>	<b>19,897,544</b>	<b>(5,667,684)</b>	<b>(20,547)</b>	<b>22,799</b>	<b>43,084</b>	<b>14,275,196</b>

The accompanying notes form part of these financial statements

# Praemium Limited

ACN 098 405 826

## Accounts for the Half Year ending 31 December 2007

20 February, 2008

### CONDENSED CASH FLOW STATEMENT

	Note	Economic Entity Half Year 2007 \$	Economic Entity Half Year 2006 \$
<b>CASH FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		2,978,407	1,686,603
Payments to suppliers and employees		(8,970,691)	(5,555,695)
Interest received		407,847	387,431
<b>Net cash (used by) /provided from operating activities</b>		<b>(5,584,437)</b>	<b>(3,481,661)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Dividends received		18,641	4,290
Payments for property, plant and equipment		(445,435)	(1,208,276)
Acquisition of other investments		(28,534)	8,436
<b>Net cash used in investing activities</b>		<b>(455,328)</b>	<b>(1,195,550)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from the issue of share capital		94,500	-
Share issue transaction costs		-	(26,423)
<b>Net cash provided by financing activities</b>		<b>94,500</b>	<b>(26,423)</b>
<b>NET CASH INCREASE (DECREASES) IN CASH AND CASH EQUIVALENTS</b>			
Net cash increase (decreases) in cash and cash equivalents		<b>(5,945,265)</b>	<b>(4,703,634)</b>
Cash and cash equivalents at beginning of year		<b>16,763,182</b>	<b>17,063,834</b>
Effect of exchange rates on cash holdings in foreign currencies		<b>(451,708)</b>	<b>(29,153)</b>
<b>Cash and cash equivalents at end of period</b>		<b>10,366,209</b>	<b>12,331,047</b>

The accompanying notes form part of these financial statements

## NOTES TO THE ACCOUNTS

### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (A) GENERAL INFORMATION

The half year financial report is a general purpose financial report that covers the consolidated position of Praemium Limited and controlled entities. Praemium Limited is a listed public company, incorporated and domiciled in Australia.

This half year financial report does not include all the notes of the type usually included in an annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2007 and any public announcements made by Praemium Ltd during the half year in accordance with any continuance disclosure obligations arising under the Corporations Act 2001.

The financial report for this half year is prepared in accordance with the accounting policies, methods and computations as that used in the financial report for the year ended 30 June 2007.

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 AASB 134 "Interim Financial Reporting".

#### (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.

The accounting policies set out below have been consistently applied to all years presented, except as noted above.

#### (II) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. The adoption of these new and revised Standards and Interpretations have not resulted in changes to the Group's accounting policies.

# Praemium Limited

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## Notes to the Accounts for the Half Year ending 31 December 2007

20 February, 2008

### (C) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Praemium Limited (“parent entity”) as at 31 December 2007 and the results of all subsidiaries as 31 December 2007. Praemium Limited and its subsidiaries are referred to in this financial report as the “Group”.

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 subsidiaries have a June financial year end.

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

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

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

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

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

### (D) 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

# Praemium Limited

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## Notes to the Accounts for the Half Year ending 31 December 2007

20 February, 2008

impairment losses on the assets recognised. To ensure that costs are not recognised in excess of their recoverable amounts, the recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposals discounted to their net present value.

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

Property 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 buildings and capitalised lease assets, but excluding land, 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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate Method</b>
Plant, Furniture and equipment	10% - 20% Straight-line
Computer equipment	20% Straight-line

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

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

### (E) FINANCIAL INSTRUMENTS

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

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## Notes to the Accounts for the Half Year ending 31 December 2007

20 February, 2008

### (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. 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 and 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.

### (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.

### (IV) BANK BORROWINGS

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

### (V) 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.

### (VI) EQUITY INSTRUMENTS

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

# Praemium Limited

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## Notes to the Accounts for the Half Year ending 31 December 2007

20 February, 2008

### (VII) FAIR VALUE

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

### (VIII) AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

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

### (IX) SHARES IN CONTROLLED ENTITIES

Shares in controlled entities are measured at cost.

### (F) INTANGIBLE ASSETS

#### (I) RESEARCH AND DEVELOPMENT

Expenditure during the research phase of a project is recognised as an expense when incurred.

Rebate concessions received in relation to research and development expenditure are brought to account as revenue where expenditure has been expensed.

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at

# Praemium Limited

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## Notes to the Accounts for the Half Year ending 31 December 2007

20 February, 2008

the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised and are tested for impairment annually.

### (II) LICENCES

Licences are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

### (G) IMPAIRMENT

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. For assets where such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the revaluation reserve relates to that asset.

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite useful lives.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income in the income

# Praemium Limited

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## Notes to the Accounts for the Half Year ending 31 December 2007

20 February, 2008

statement, unless the relevant asset is carried at a revalued amount, in which case the reversal is recognised as a revaluation increase.

### (H) EMPLOYEE BENEFITS

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

### (I) EQUITY SETTLED COMPENSATION

The Group operates a share based compensation scheme.

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

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

### (J) PROVISIONS

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

### (K) INCOME TAX

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

Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and on unused tax losses. No deferred tax assets or liabilities will be recognised from the initial recognition of an asset or liability excluding a business combination, which at the time of the transaction did not affect either accounting or taxable profit or loss.

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

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and tax losses can be utilised.

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## Notes to the Accounts for the Half Year ending 31 December 2007

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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.

Entities within the tax consolidated group have entered into a tax sharing agreement with the head entity. Under the terms of this agreement, Praemium Ltd and each of the entities within the tax consolidated group has agreed to pay a tax equivalent payment to or from the entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

Praemium 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.

### (L) LEASES

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

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

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

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

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

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

### (M) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the rendering of services is recognised upon the delivery of services to customers and the associated risks of ownership have passed.

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.

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## Notes to the Accounts for the Half Year ending 31 December 2007

20 February, 2008

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

### (N) FOREIGN CURRENCY TRANSLATION

#### (I) FUNCTIONAL AND PRESENTATION CURRENCY

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

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

#### (II) GROUP ENTITIES

The financial results and position of all Group entities whose functional currency is different from the group's functional and presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the balance sheet date; and
- 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).
- Retained Earnings are translated at the respective historical exchange rate.
- Exchange differences arising on translation of Group entities from a different functional currency are recognised directly in a foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the entity is disposed.
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### (III) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the spot rate on balance sheet date. Non-monetary items measured at historical cost are not retranslated. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

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

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## Notes to the Accounts for the Half Year ending 31 December 2007

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### (O) GOODS AND SERVICES TAX (GST)

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

- 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
- 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 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.

### (P) COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### (Q) SEGMENT REPORTING

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

### (R) 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 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.

### (S) DIVIDENDS

Provision is made of the amount 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.

### (I) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the

# Praemium Limited

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## Notes to the Accounts for the Half Year ending 31 December 2007

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20 February, 2008

weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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### (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 relation to dilutive potential ordinary shares.

### (T) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

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## Notes to the Accounts for the Half Year ending 31 December 2007

20 February, 2008

### 2 FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries. The main purpose of non-derivative financial instruments is to raise finance for group operations.

The Group does not have any derivative instruments.

#### FINANCIAL RISKS

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

#### INTEREST RATE RISK

As the Group has no significant interest-bearing assets or liabilities, the Group's income, expenses and operating cash flows are not materially exposed to changes in market interest rates.

#### FOREIGN CURRENCY RISK

The group is exposed to any material fluctuations in foreign currencies, as the group has operations outside Australia.

#### LIQUIDITY RISK

The Group manages liquidity risk by forecasting and monitoring cash flows on a continuing basis.

#### CREDIT RISK

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

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## Notes to the Accounts for the Half Year ending 31 December 2007

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### 3 SEGMENT REPORTING

The group operated in two geographic areas during the half year ended 31 December 2007, Australia and the United Kingdom.

#### HALF YEAR 2007

	Australia Half Year 2007 \$	United Kingdom Half Year 2007 \$	Consolidated Half Year 2007 \$
<b>Revenue</b>			
<b>Revenue from external customers:</b>			
Revenue - external customers	<u>2,964,933</u>	-	<u>2,964,933</u>
<b>Total revenue from external customers</b>	<u>2,964,933</u>		<u>2,964,933</u>
Other revenue/income	<u>312,786</u>	<u>107,538</u>	<u>420,324</u>
<b>Total revenue</b>	<u>3,277,719</u>	<u>107,538</u>	<u>3,385,257</u>
<b>RESULT</b>			
Net profit for the year	<u>(2,465,630)</u>	<u>(3,830,600)</u>	<u>(6,296,230)</u>
<b>ASSETS</b>			
Segment assets	<u>8,451,648</u>	<u>6,464,647</u>	<u>14,916,295</u>
<b>Total assets</b>	<u>8,451,648</u>	<u>6,464,647</u>	<u>14,916,295</u>
<b>LIABILITIES</b>			
Segment liabilities	<u>1,397,574</u>	<u>1,062,572</u>	<u>2,460,146</u>
<b>Total liabilities</b>	<u>1,397,574</u>	<u>1,062,572</u>	<u>2,460,146</u>

#### HALF YEAR 2006

	Australia Half Year 2006 \$	United Kingdom Half Year 2006 \$	Consolidated Half Year 2006 \$
<b>REVENUE</b>			
<b>Revenue from external customers:</b>			
Revenue - external customers	<u>1,757,001</u>	-	<u>1,757,001</u>
<b>Total revenue from external customers</b>	<u>1,757,001</u>	-	<u>1,757,001</u>
Other revenue/income	<u>388,256</u>	-	<u>388,256</u>
<b>Total revenue</b>	<u>2,145,257</u>	-	<u>2,145,257</u>
<b>RESULT</b>			
Net profit for the year	<u>(750,795)</u>	<u>(2,709,193)</u>	<u>(3,459,988)</u>
<b>ASSETS</b>			
Segment assets	<u>14,878,719</u>	<u>982,926</u>	<u>15,861,645</u>
<b>Total assets</b>	<u>14,878,719</u>	<u>982,926</u>	<u>15,861,645</u>
<b>LIABILITIES</b>			
Segment liabilities	<u>1,127,618</u>	<u>458,831</u>	<u>1,586,449</u>
<b>Total liabilities</b>	<u>1,127,618</u>	<u>458,831</u>	<u>1,586,449</u>

# Praemium Limited

ACN 098 405 826

## Notes to the Accounts for the Half Year ending 31 December 2007

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20 February, 2008

### DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 17 to 34 in accordance with the *Corporations Act 2001*:

- a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*, and
- b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance as represented by the results of its operations and its cash flows, for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Praemium Limited will be able to pay its debts as and when they become payable.

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



Arthur Naoumidis

Director

Dated: 20 February 2008