

PREMIUM INCOME FUND
ARSN 090 687 577

RESPONSIBLE ENTITY
WELLINGTON INVESTMENT MANAGEMENT LIMITED
ACN 101 634 146 AFSL 246 553

INFORMATION MEMORANDUM

**FOR AN APPLICATION FOR ADMISSION TO THE OFFICIAL LIST
OF THE NATIONAL STOCK EXCHANGE OF AUSTRALIA ('NSX')**

Neither the responsible entity, the Custodian, nor their associates or directors guarantee the success of an Investment in the Fund, the repayment of capital or any particular rate of capital or income return.

This Information Memorandum is dated 18 August 2008. It contains important information and should be read carefully and in its entirety. Professional advice should be sought before investing in the Fund. Any statements or information contained in this Information Memorandum are made as at and are current only as at its date of issue. The statements and information are constantly subject to change.

Any questions should be directed to the responsible entity, a stockbroker or professional investment adviser.



18 August 2008

Dear Unitholder

The Fund was established for the purposes of providing Unitholders with regular income returns, through the active management of a portfolio of income producing investments. Due to changed circumstances, the responsible entity does not however envisage income returns being payable on the Units for the foreseeable future.

I encourage you to read this Information Memorandum closely so that you understand the nature of the Fund.

This Information Memorandum will be lodged with the National Stock Exchange of Australia ('NSX') in connection with our application for listing and quotation of Units in the Fund on that exchange. This application has been made in order to facilitate a secondary market for the trade of Units in the Fund.

Our decision to proceed with this application is based on the responsible entity's belief that the trading of Units in the Fund should take place in a formal and efficient environment and within an open and transparent market. If this can occur then I believe it is in the best interests of Unitholders.

It should also be understood that the responsible entity does not know whether there will be significant liquidity or transaction volume created by the listing and quotation of the Units on NSX. Liquidity is influenced by a number of factors including the size and number of parcels and investors and the nature of the underlying assets.

If you wish to buy or sell units on NSX, you should consult an NSX broker, details of which are available on the NSX website at www.nsx.com.au.

My fellow Directors and I are working to ensure the best possible outcome for the Fund and this listing is an important part of our plan. I look forward to the proposed listing benefiting the Unitholders and those who wish to utilise NSX's services.

Yours sincerely

Jenny Hutson
Chairperson
WELLINGTON INVESTMENT MANAGEMENT LIMITED

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DIRECTORY

RESPONSIBLE ENTITY

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ACN 101 634 146

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DIRECTORS OF THE RESPONSIBLE ENTITY

Jennifer Hutson (Chairperson)
Robert Pitt
Craig Wallace

AUDITOR

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BRISBANE QLD 4000

CUSTODIAN

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SYDNEY NSW 2000

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McCullough Robertson
Lawyers
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66 Eagle Street
BRISBANE QLD 4000

REGISTRY

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ACN 078 279 277
Yarra Falls
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ABBOTSFORD VIC 3067

IMPORTANT INFORMATION

INTRODUCTION

Under the National Stock Exchange of Australia ('NSX') Listing Rules, each company or entity applying for listing and quotation of its securities must issue a disclosure document and provide a listing application to NSX containing the information required by the NSX Listing Rules.

This Information Memorandum is dated 18 August 2008, and has been prepared by Wellington Investment Management Limited ('the responsible entity') in connection with the application for listing and quotation of Units in the Premium Income Fund ('Fund') on the NSX. This document is not a prospectus or a product disclosure statement and it will not be lodged with the Australian Securities and Investments Commission under the Corporations Act. It does not constitute or contain any offer of Units for subscription or purchase or any invitation to subscribe for or buy Units.

The distribution of this Information Memorandum in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Information Memorandum should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. The Information Memorandum is not intended to and does not constitute an offer of securities in any place which, or to any person to whom, the making of such offer would not be lawful under the laws of any jurisdiction outside Australia.

LISTING ON THE NATIONAL STOCK EXCHANGE OF AUSTRALIA

Application will be made for listing of the Fund and quotation of the Units on the NSX. Please see Section 12 of this Information Memorandum for a discussion of the risk factors relevant to quotation of and purchase of Units. Admission to listing, quotation of the Units and the granting of any waivers sought is at the absolute discretion of NSX, and so there is no guarantee that the Fund will be listed on NSX.

PRODUCT DISCLOSURE STATEMENT

The most recent Product Disclosure Statement ('PDS') issued on behalf of the Fund was dated 2 July 2007. Part B of the PDS was last updated with a new rate sheet on 7 January 2008.

The PDS and the forecasts within the PDS were based on information and assumptions relevant and current only as at the date of issue of that PDS. That information and the reasonableness of the assumptions can change after the date of issue of that PDS. Forecasts within the PDS were also based on best estimate assumptions.

This Information Memorandum is dated 18 August 2008. This document is current, and should be carefully perused. The PDS provides historical information only, which was current as at 2 July 2007.

SUPPLEMENTARY INFORMATION MEMORANDUM

A supplementary Information Memorandum will be issued if, between the date of issue of this Information Memorandum and the date the Units are listed on the NSX, the responsible entity becomes aware that:

- ◆ a material statement in this Information Memorandum is false or misleading;
- ◆ there has been a material omission from this Information Memorandum;
- ◆ there has been a significant change affecting a matter included in this Information Memorandum; or
- ◆ a significant new matter has arisen and it would have been required to be included in this Information Memorandum.

1. DEFINED TERMS

Term	Definition
AFSL	Australian Financial Services Licence.
ASIC	Australian Securities and Investments Commission.
Authorised Investments	the authorised investments of the Fund, as set out in section 2.3 of this Information Memorandum and the Constitution.
CGT	Capital Gains Tax.
Compliance Committee	the compliance committee of the Fund which monitors the Fund's compliance with the Corporations Act and other legislation.
Compliance Plan	the compliance plan that establishes a framework for monitoring the operation of the Fund, as amended from time to time.
Constitution	the constitution of the Fund, as amended from time to time.
Corporations Act	the Corporations Act 2001 (Cth).
Custodian	an independent organisation responsible for holding of the financial assets of the Fund which, at the date of this Information Memorandum, is Perpetual Nominees Limited (ABN 37 000 733 700). Perpetual Nominees Limited, a related corporation of Perpetual Trustee Company Limited ('PTCL'), acts as an Authorised Representative of PTCL, under PTCL's Australian Financial Services Licence number 236643 (Authorised Representative number 266798).
Custody Agreement	the custody agreement between the Custodian and the responsible entity.
Fund	the trust constituted by the Constitution and known as the Premium Income Fund ARSN 090 687 577 and previously known as the Octaviar Premium Income Fund and the MFS Premium Income Fund.
GST	the Goods and Services Tax.
GST Act	the A New Tax System (Goods and Services Tax) Act 1999 (Cth).
Income	the income of the Fund that may be distributed to an Unitholder during any month. <i>Distribution of income is currently suspended, and will not be recommenced in the foreseeable future.</i>
Information Memorandum	this document.
Investment	the ownership of Units in the Fund.
Investor(s)	the Unitholder(s) in the Fund.
Management Costs	fees and costs for managing your investment, including Management Fees payable to the responsible entity and Fund

Term	Definition
	expenses.
Management Fees	fees payable to the responsible entity for managing your investment.
MFS Limited or MFS	MFS Limited (ABN 90 107 863 436) now known as Octaviar Limited and its subsidiaries.
MFS Support Facility or Support Facility	a contractual arrangement between the responsible entity as responsible entity of the Fund and MFS, for MFS to provide callable funds (up to a limit) to the Fund to meet distributions, expenses and capital losses of the Fund in the event of a shortfall arising.
Net Asset Value	the total value of all investments in the Fund including any realised and unrealised movements and accrued income less liabilities.
NSX	the National Stock Exchange of Australia.
PDS	the Product Disclosure Statement dated 2 July 2007, under which the latest subscriptions for Units were made.
Unit	a unit in the Fund.
Unitholder	a holder of Units in the Fund.
Unitholding	the unitholding of a Unitholder in the Fund.

Neither the responsible entity, the Custodian, nor their associates or directors guarantee the success of an Investment in the Fund, the repayment of capital or any particular rate of capital or income return.

The Custodian and NSX are not the issuers of this Information Memorandum and have not prepared this Information Memorandum. Application will be made for listing of the securities the subject of this Information Memorandum by the NSX.

The fact that NSX may list the securities of the managed investment scheme is not to be taken in any way as an indication of the merits of the managed investment scheme or the listed securities.

The Custodian and NSX take no responsibility for the contents of this document, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

This Information Memorandum is dated 18 August 2008. It contains important information and should be read carefully and in its entirety. Professional advice should be sought before investing in the Fund. Any statements or information contained in this Information Memorandum are made as at and are current only as at its date of issue. The statements and information are constantly subject to change.

Any questions should be directed to the responsible entity, a stockbroker or professional investment adviser.

2. OVERVIEW – THE FUND AT A GLANCE

2.1 Introduction and Background

The Premium Income Fund ARSN 090 687 577 is a registered managed investment scheme domiciled in Australia. The Fund was registered on 22 December 1999 and is currently managed by Wellington Investment Management Limited.

The Fund's principal activity is the receipt and investment of Unitholders' funds in mortgages, equity, debt instruments and cash.

There are currently 755,195,542 Units in the Fund on issue. As at the date of this Information Memorandum the Fund has 10,387 Unitholders. No Units are being issued nor funds being raised under this Information Memorandum.

Date	Corporate Event
December 1999 (date of registration of the Fund)	McLaughlins Financial Services Limited ACN 088 647 796 was responsible entity of the Fund.
October 2000	The MFS Capital Insured Income Fund changed its name from MFS Master Mortgage Trust.
November 2003	The MFS Premium Income Fund changed its name from MFS Capital Insured Income Fund.
September 2004	McLaughlins Financial Services Limited ACN 088 647 796 retired as responsible entity.
September 2004	MFS Investment Management Limited ACN 101 634 146 (AFSL 246 533) was appointed responsible entity.
May 2008	A new board is appointed.
March 2008	The Octaviar Premium Income Fund changed its name from MFS Premium Income Fund.
March 2008	MFS Investment Management Limited changed its name to Octaviar Investment Management Limited.
June 2008	The Premium Income Fund changed its name from Octaviar Premium Income Fund.
June 2008	Wellington Capital Limited purchased 100% of the shares in Wellington Investment Management Limited.
June 2008	Octaviar Investment Management Limited changed its name to Wellington Investment Management Limited.

The responsible entity of the Fund is now Wellington Investment Management Limited, a wholly owned subsidiary of Wellington Capital Limited ACN 114 248 458.

Wellington Capital Limited is an unlisted public company. The Wellington Capital group has over \$1 billion in assets under management in wholesale and retail funds.

The Fund has not raised any capital for the three months before the date of this Information Memorandum and does not intend to raise any capital for three months after the date of this Information Memorandum.

The Fund currently has enough working capital to carry out its objectives expressly stated in this Information Memorandum.

2.2 Recent Developments

Suspension of Payments

As at the date of this Information Memorandum the processing and payment of all redemption requests for the Fund have been deferred for up to 360 days, distribution payments have ceased and the PDS (both part A and B) issued on 2 July 2007 and Supplementary Disclosure Statement of the Fund issued on 7 January 2008, have been withdrawn.

Change of Management of the responsible entity

As a result of the suspension of trading of MFS Limited's shares on the ASX and severe liquidity issues for MFS Limited and Premium Income Fund (which have been widely reported in the news media) on 2 May 2008, the existing directors of the responsible entity resigned and a new board was appointed comprising:

- ♦ Jenny Hutson;
- ♦ Robert Pitt; and
- ♦ Craig Wallace.

Value Issues

The new board has, together with 333 Capital Limited, which was appointed to assist the board, formed the view that many assets of the Fund will not realise their book value, and some other investments were made in other entities of the MFS Limited group of companies and will not be realised for book value.

Whereas this document sets out the existing investment policies and objectives of the Fund, investigations undertaken by the new board indicate that some investments were made outside those guidelines and policies and as a result these investments will not be realised for book value. Existing Unitholders funds will not be able to be returned to Unitholders in their entirety.

2.3 The Fund's Authorised Investments

The Constitution authorises the Fund to invest in the following Authorised Investments:

- ♦ mortgage investments being a loan secured by a registered mortgage over land;
- ♦ deposits at call or for a term with any bank and other fixed interest securities issued by a bank or approved deposit taking institution;
- ♦ (where permitted by law) any interest in a managed investment scheme that is a registered managed investment scheme, including a managed investment scheme of which the responsible entity is the responsible entity; or
- ♦ any investment authorised under section 21 of the Queensland *Trusts Act 1973* which the responsible entity considers a prudent investment for the Fund.

The Fund has invested in the following:

- ♦ commercial loans;
- ♦ fixed interest securities including:
 - structured transactions;
 - floating rate and income securities;
 - convertible, reset and hybrid securities; and
 - other high yield securities;
- ♦ property backed managed investment schemes;
- ♦ asset backed investments; and
- ♦ cash and equivalents.

2.4 Benchmark Asset Allocation

The following are the investment ranges and benchmark asset allocations for each Authorised Investment.

Range	Benchmark Asset Allocation	Asset Class	Fund's actual allocation as at 31 May 2008
20-75%	45%	Commercial loans	66.71%
0-30%	10%	Fixed interest securities	3.75%
10-40%	25%	Property Backed Managed Investment Schemes	2.45%
5-40%	15%	Asset backed investment	23.36%
5-30%	5%	Cash and equivalents	3.73%
	100%		100%

2.5 Investment Objective

The responsible entity's approach in managing the Fund is to use well defined investment analysis and risk management processes. The Fund is a cooperative model which has allowed Unitholders to invest together and in the past achieve the benefits usually available only to institutional investors. This has allowed the Fund Unitholders to enjoy eight consecutive years of consistent high performance.

The Fund was rated Morningstar mortgage fund of the year in 2005 and Standard and Poors mortgage fund of the year in 2006.

The board intends to maintain the same asset allocation ranges and benchmarks with the Wellington Capital team of experienced and successful professionals responsible for the Fund. Changes to the structure of the Fund are being proposed to enable the Fund to respond to the most difficult market conditions in a decade and adopt a 3 to 5 year investment horizon.

Whilst the Fund is diversified, the decline over the last 12 months in the listed property trust sector is a relevant measure to demonstrate the market impact. This was the most difficult year in a decade for both property and finance. The Fund asset value, like the rest of the market, has experienced a most challenging operating environment. Unitholders will benefit by waiting for the market itself to recover.

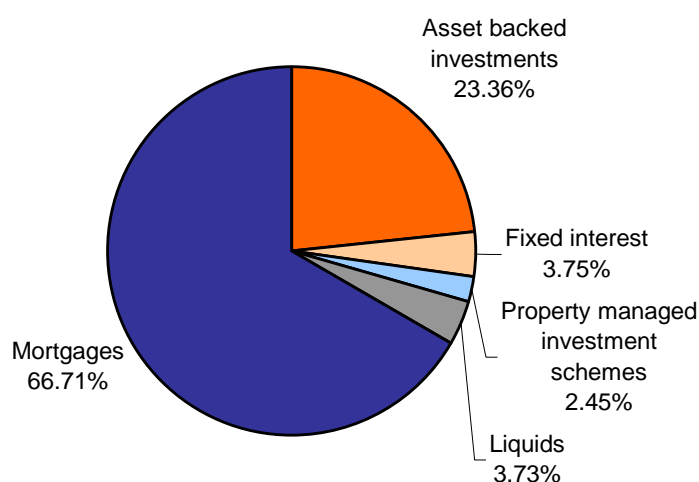
2.6 Summary of Fund's Investments as at 31 May 2008

As at 31 May 2008 the Fund's portfolio consisted of the following assets:

	31 Dec 2007 \$000's	31 May 2008 Carrying Value \$000's	31 May 2008 Estimated Realisable Value \$000's
Assets			
Cash and cash equivalents	15,880	15,417	15,417
Mortgage loans	351,674	360,581	275,994
Asset backed investments	307,012	267,545	96,655
Units in managed investment schemes	160,925	93,297	5,599
Fixed interest securities	117,400	16,872	15,523
Other assets	13,754	10,059	4,559
Total assets	966,645	763,771	413,747

The board of the responsible entity retained 333 Capital Pty Ltd's corporate and real estate advisory team to assist in determining the estimated realisable value of the Fund's assets. 333 Capital Pty Ltd provided a value range. The directors of the responsible entity had further discussions with borrowers and potential purchasers of assets and received legal advice on a range of relevant issues in concluding that the estimated realisable value of the total assets as at 31 May 2008 was \$413.7 million on a going concern basis plus any recovery from MFS.

Portfolio based on estimated realisable values as at 31 May 2008:



2.7 The Portfolio

Mortgages

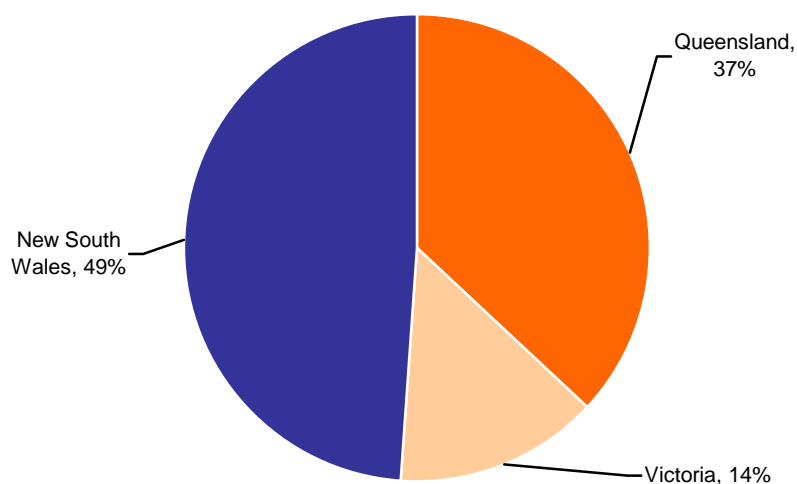
Thirty two mortgages comprise this section of the portfolio of investments of the Fund. Each loan is secured by a registered first ranking mortgage. There are 12 complying loans in the portfolio. These loans are, as at 31 May 2008, complying with all relevant elements of the lender/borrower arrangements. The Fund has, in relation to two loans totalling \$15.52 million, become mortgagee in possession and taken control of the assets provided as security. The balance 18 loans are complying with renegotiated arrangements. The portfolio continues to be managed to ensure the best possible outcome for the Fund. The details of the 32 mortgages are as follows:

Location	Principal and interest as at 31 May 2008	Interest Rate per annum	Original maturity date
Blacktown, NSW	\$2,563,140	11.25%	29 December 2008
Brooklyn West, VIC	\$846,655	11.25%	30 April 2008
Chatswood, NSW	\$4,608,231	11.75%	8 September 2007
Creswick, Vic	\$2,952,680	11.5%	25 September 2008
Creswick, VIC	\$38,336,149	11%	15 August 2008

Location	Principal and interest as at 31 May 2008	Interest Rate per annum	Original maturity date
Dunns Creek, NSW	\$7,147,468	11.5%	4 April 2008
Hastings Point, NSW	\$14,392,282	11%	25 June 2008
Helidon, QLD	\$4,314,083	11%	31 December 2007
Lane Cove, NSW	\$9,479,628	11.75%	8 September 2007
Lithgow, NSW	\$1,421,137	11.25%	22 September 2006
Mackay, QLD	\$1,359,481	11.25%	29 September 2008
Mackay, QLD	\$9,215,142	11%	1 September 2008
Main Beach, QLD	\$14,318,669	10.5%	29 October 2008
Maroochydore, QLD	\$14,109,465	11.5%	30 November 2005
Melbourne, VIC	\$9,012,542	11.25%	19 February 2008
Mission Beach, QLD	\$6,296,911	11.25%	17 January 2009
Nambucca Heads, NSW	\$5,048,399	11.5%	15 March 2008
Narrabeen, NSW	\$2,646,905	11.75%	6 October 2006
Nelsons Bay, NSW	\$2,451,211	11.25%	29 June 2008
Port Macquarie, NSW	\$22,825,382	11.25%	18 July 2007
SE Qld Hinterland, QLD	\$5,702,289	11%	31 December 2007
SE Qld Hinterland, QLD	\$5,633,284	11%	31 December 2007
SE Qld Hinterland, QLD	\$18,527,779	11%	31 December 2007
SE Qld Hinterland, QLD	\$5,833,137	11%	31 December 2007
SE Qld Hinterland, QLD	\$5,702,289	11%	31 December 2007
St Leonards, NSW	\$9,214,843	11.25%	9 January 2009
Surfers Paradise, QLD	\$19,023,879	11.5%	16 December 2008
Sylvania, NSW	\$34,365,429	11%	29 August 2007
Townsville, QLD	\$6,233,770	11.5%	9 November 2008
Tweed Heads, NSW	\$8,570,032	11%	16 August 2009
Wollongong, NSW	\$57,993,841	10.75%	19 March 2007
Yeppoon, QLD	\$9,891,863	11.4%	6 June 2007

Geographical diversification

The geographical diversification of the mortgage component of the Fund is as follows:



Asset backed securities

The asset backed securities that make up this section of the portfolio of the investments in the Fund are summarised as follows:

Name	Estimated realisable value as at 31 May 2008
Sydney based company	\$20,000,000
Sydney based securities	\$14,700,000
Living and Leisure Group	\$493,000
Living and Leisure Australia Trust loan	\$27,000,000
Diversified Trust	\$905
South East Queensland based security	\$19,265,753
Diversified Trust	\$10,084,932
South East Queensland based securities	\$5,110,638
	\$96,655,228

Managed Investment Schemes

The managed investment scheme investments that make up this section of the portfolio of investments of the Fund are summarised below:

Name	Estimated realisable value as at 31 May 2008
Unlisted property trust	\$3,598,019
Unlisted property trust	\$2,001,049
	\$5,599,068

Fixed Interest Investments

The fixed interest investments that make up this section of the portfolio of the Fund are summarised as follows:

Name	Estimated realisable value as at 31 May 2008
Unlisted fixed interest security	\$9,512,902
ASX listed debt	\$2,360,000
ASX listed fixed security	\$3,650,000
	\$15,522,902

Cash/other

Cash at bank as at 31 May 2008 was \$15,417,514.

2.8 31 May 2008 to 31 July 2008

In the two months from 31 May 2008 to 31 July 2008 the following key changes have occurred:



Bank debt has been reduced from \$70 million at 31 May 2008 to \$20 million at 31 July 2008.



The remaining \$20 million in debt was refinanced on 1 August 2008 for 90 days. The new financier novated the existing arrangements. This means the new financier has the same security position as the previous financier, being a first ranked fixed and floating charge over all of the assets of the Fund.

2.9 History

The Premium Income Fund ARSN 090 687 577 is a registered managed investment scheme domiciled in Australia. The Fund was first registered on 22 December 1999 and is currently managed by Wellington Investment Management Limited.

The Fund's principal activity is the receipt and investment of Unitholders' funds in registered mortgages, equity, debt instruments and cash.

This section contains a summary of features of the Fund. To make an informed assessment you must read the whole Information Memorandum.

3. ANSWERS TO FREQUENTLY ASKED QUESTIONS

Q1. WHAT IS A MANAGED FUND AND WHY WOULD YOU PURCHASE UNITS IN ONE?

A managed fund (also known as a managed investment scheme) pools the money of many individual investors. This money is then managed by a manager, in line with the investment objective of the fund. By investing in a managed fund and pooling your money with other investors, you can take advantage of investment opportunities that you may not be able to access as an individual investor.

Q2. WHEN I PURCHASE UNITS, WHAT DO I GET?

When you invest in a managed fund, you purchase a number of 'units'. Your units represent the value of your investment. This value may change over time depending on the market value of the fund's assets.

Q3. IS THE FUND A MANAGED INVESTMENT SCHEME?

The Fund is registered as a managed investment scheme under the Corporations Act.

Q4. WHO ARE THE RESPONSIBLE ENTITY AND THE CUSTODIAN?

The responsible entity is Wellington Investment Management Limited.

The responsible entity has broad skills and experience. The responsible entity is responsible for ensuring that the assets of the Fund are managed in the best interests of all Unitholders. A New board joined the responsible entity on 2 May 2008.

The Custodian is **Perpetual Nominees Limited** which has over 122 years of history as a trustee company. The Custodian holds the title to the assets on behalf of the Fund. Perpetual Nominees Limited, a related corporation of Perpetual Trustee Company Limited ('PTCL'), acts as an Authorised Representative of PTCL, under PTCL's Australian Financial Services Licence number 236643 (Authorised Representative number 266798).

Q5. WHAT ARE THE KEY RISKS OF PURCHASING UNITS IN THE FUND?

When you become a Unitholder, there is a risk that the value of your investment may go down. Redemption of your investment (if any) in this Fund may be significantly delayed or all funds originally invested may not ever be returned. Before you make an investment decision, it is important that you understand the risks that may affect this investment. A summary of some key risks that may affect your investment in the Fund is set out in Section 12.

A risk of purchasing Units in the Fund is that the Fund's investments in the different asset classes can be difficult to convert quickly into cash. Because of the illiquidity of the Fund's assets, there is a risk that the Fund could experience delays in realising investments which could impact negatively on the Fund's financial position. While historically the Fund has provided for distributions and redemptions, there are no redemptions or distributions being made at present.

A further key risk that may affect your investment is income risk. Events have taken place that have reduced the income that the Fund is able to earn on its investments. This has in turn eliminated any of the Income the Fund currently available to distribute to Unitholders. No Income payments are currently being made nor will they be made in the foreseeable future.

A risk of purchasing Units is that at present the new board is not able at this time to ascertain the current value of the assets of the Fund. This means that a price paid for Units may not reflect the underlying value.

Q6. WHAT IS MY LIABILITY AS A UNITHOLDER TO THE FINANCIER?

You have no personal liability to any financier.

The responsible entity as trustee of the Fund has borrowed the required funds on behalf of the Fund. The basis of the borrowing arrangements is to limit the risk of Unitholders to the amount of their Subscription or Unitholding (i.e. you do not have any liability to the financiers).

The financiers have rights against the Fund's assets, for example the assets and the assets income. The financiers have **no recourse to Unitholders**.

Q7. HOW DO I BUY OR SELL UNITS IN THE FUND?

If you wish to buy or sell Units in the Fund you should consult an NSX Broker, details of which are available on the NSX website at www.nsx.com.au. If you require administrative assistance in relation to an existing unitholding, you should contact the responsible entity.

This page contains a summary of features of the Fund. To make an informed assessment you must read the whole Information Memorandum.

4. STRUCTURE AND STRATEGY

4.1 Structure

The Fund has invested in the following:

- ✿ commercial loans;
- ✿ fixed interest securities including:
 - ✿ structured transactions;
 - ✿ floating rate and income securities;
 - ✿ convertible, reset and hybrid securities; and
 - ✿ other high yield securities;
- ✿ property backed managed investment schemes;
- ✿ asset backed investments; and
- ✿ cash and equivalents.

The following are the investment ranges and benchmark asset allocations for each Authorised Investment.

Range	Benchmark Asset Allocation	Asset Class	Fund's actual allocation as at 31 May 2008
20-75%	45%	Commercial loans	66.71%
0-30%	10%	Fixed interest securities	3.75%
10-40%	25%	Property Backed Managed Investment Schemes	2.45%
5-40%	15%	Asset backed investment	23.36%
5-30%	5%	Cash and equivalents	3.73%
	100%		100%

4.2 The objectives

The responsible entity's approach in managing the Fund is to use well defined investment analysis and risk management processes. The Fund is a cooperative model which has allowed Unitholders to invest together and in the past achieve the benefits usually available only to institutional investors. This has allowed the Fund Unitholders to enjoy eight consecutive years of consistent high performance.

The Fund was rated Morningstar mortgage fund of the year in 2005 and Standard and Poors mortgage fund of the year in 2006.

The board intends to maintain the same asset allocation ranges and benchmarks with the Wellington Capital team of experienced and successful professionals responsible for the Fund. Changes to the structure of the Fund are being proposed to enable the Fund to respond to the most difficult market conditions in a decade and adopt a 3 to 5 year investment horizon.

Whilst the Fund is diversified, the decline over the last 12 months in the listed property trust sector is a relevant measure to demonstrate the market impact. This was the most difficult year in a decade for both property and finance. The Fund asset value, like the rest of the market, has experienced a most challenging operating environment. Unitholders will benefit by waiting for the market itself to recover.

4.3 Investment objectives and approach

How the responsible entity selects the Commercial Loans

Lending guidelines

The responsible entity has well defined lending processes and guidelines for approving and managing all commercial loans. The guidelines address:

- ✿ **Valuation** – An independent valuer provides a valuation of the security property. The valuer is chosen from a panel which has been preselected by the responsible entity.
- ✿ **Security** – Security for the loan is provided by way of a registered first mortgage over the security property, together with additional collateral security required by the responsible entity. In certain circumstances, the responsible entity can accept a second mortgage over a security property if all other applicable lending guidelines are met.
- ✿ **Loan to Valuation Ratio** – The responsible entity restricts the Loan to Valuation Ratio ('LVR') for commercial loans to 66.67%. This LVR is a maximum and may or may not include capitalised interest and fees depending upon the terms and conditions of each individual loan.
- ✿ **Borrower's capacity to repay and service** – The borrower must demonstrate credit worthiness including an appropriate credit history and a level of net assets and income to meet loan commitments. With construction loans, the borrower's capacity to repay is generally determined by the borrower's ability to complete and sell the project. All construction loans involve an independent assessment of the proposed development by a quantity surveyor appointed by the responsible entity.

The responsible entity does not limit the geographic spread, loan type or loan term of loans made by the Fund. All proposals are considered on their merits and under the Fund's lending guidelines.

Valuation practices

The Fund considers valuation reports from independent certified practising valuers when making commercial loans. The responsible entity chooses these valuers from a panel of preferred valuers, in accordance with the responsible entity's valuation standards. The responsible entity may accept an assignment or transfer of a valuation from another party if the valuation has been undertaken in accordance with the responsible entity's valuation standards.

Capitalisation of loan interest

Most loans made by the Fund involve capitalisation of interest, which is where the interest is not paid by the borrower during the period of the loan but is added to the loan over the term of the loan. This is typical for construction loans where interest is capitalised during the construction and then paid when the project is complete. During the loan term, the responsible entity requires that all construction loan drawdowns from the Fund are independently assessed by a quantity surveyor. The responsible entity uses the independent quantity surveyor's assessment to monitor whether sufficient funds remain for meeting future construction costs, capitalised interest and fees for the full term of the loan. This is a very important strategy for managing default risk.

Loan insurance

Insurance through Lloyd's Underwriters has been arranged to cover certain commercial loans. The responsible entity is of the view that not all loan facilities require insurance cover-for example, vacant land loan facilities. Insurance is arranged in cases where the responsible entity considers it appropriate. The maximum loss covered by the Lloyd's Underwriters policy is 75% of the nominated loan amount or \$3 million, whichever is the lesser.

How the responsible entity selects External Fixed Interest Managers and Directly Held Securities

Fixed interest investment guidelines

The responsible entity has well defined processes and guidelines for selecting and managing fixed interest investments, including externally managed mandates, managed investment schemes managed by specialist external managers and directly held fixed interest securities.

The fixed interest investments sector aims to manage portfolio risk by enhancing asset diversification at the total fund level whilst maintaining an appropriate contribution to the return of the Fund.

Use of specialist Fixed Interest Managers can be an effective way to gain exposure to a wide selection of credit securities. This can include investments such as private debt, infrastructure securities plus Australian and International bonds and corporate loans.

Some of the factors considered when the responsible entity assesses the suitability of specialist fixed interest managers include:

- ✿ demonstrated fixed interest management experience;
- ✿ a strong track record in fixed interest portfolio management;
- ✿ a suitably constructed portfolio in terms of security and sector characteristics;
- ✿ robust investment practices and guidelines;
- ✿ compatibility with the Fund's risk and return objectives; and
- ✿ adequate ratings by research houses and consultants.

Fixed interest managers are only selected after the responsible entity conducts an extensive and rigorous due diligence process which typically includes the input from a global investment consultant, who conducts initial research on overseas based managers and makes initial recommendations to the responsible entity on managers which may meet the responsible entity's investment criteria.

After making an investment with a fixed interest responsible entity, the responsible entity continually monitors and reviews that manager to verify whether it remains suitable for ongoing inclusion in the Fund's fixed interest sector.

Directly held fixed interest investments are selected based on both the responsible entity's internal research analysis and their relative yield and capital protection characteristics.

A Description of the Various Fixed Interest Securities That May Be Held Directly

Structured transactions

Structured transactions cover a range of investment products, such as securitisations (mortgage and asset backed securities).

The responsible entity considers other structured products on a case-by-case basis.

Fixed and Floating Rate Notes

Fixed and floating rate notes are debt securities (typically with a term of up to 5 years) where the interest is paid periodically in line with a benchmark rate. A typical benchmark rate used in Australia is the Bank Bill Swap Rate ('BBSW'). The return is calculated as the base rate plus a premium. The premium that is paid will depend on the risk associated with the credit rating of both the underlying issuer and of the individual issue. Floating rate notes are adjusted periodically in line with the benchmark rate. When the investment matures, the note is redeemed at face value.

Convertible Notes, Income Securities and other Hybrid Securities

Companies use these types of securities to raise money. Hybrid securities have characteristics of both debt and equity. Hybrid securities usually pay regular income based on a fixed or floating rate of return until a specified date. Different hybrid securities have different terms and conditions. The price of the hybrid security either moves in line with the value of the underlying share or stays fixed and then converts at the original purchase price (or the face value).

Other high yield securities

The Fund may invest in other high yield securities, such as infrastructure assets, enhanced yield funds, unsecured notes, debentures and agribusiness schemes.

How the Managed Investment Schemes that are Property Backed are Selected

The responsible entity has well defined processes and guidelines for selecting and managing property related managed investment schemes and directly held securities.

In assessing managed investment schemes and securities within the property sector, the responsible entity looks for managers who are investment professionals with:

- ✿ demonstrated property management experience;
- ✿ a strong track record in property management;
- ✿ a suitably diversified portfolio in terms of individual asset exposures and geographical spread of assets;
- ✿ robust investment processes and guidelines; and
- ✿ adequate ratings by research houses and consultants.

The responsible entity requires managers to have a structured and transparent approach to asset selection and management. Managed investment scheme investments may be listed or unlisted.

How the Asset Backed Investments are Selected

The philosophy underlying the responsible entity's approach to investing in asset backed investments is to provide asset class diversification at the total investment portfolio level. The Fund principally invests in two forms of asset-backed investments:

- ✿ secured debt facilities; and
- ✿ direct equity investments for capital growth.

The responsible entity seeks investment opportunities in this asset class that are closely related to those in which it has direct investment expertise and which it has become aware of because of its existing investment activity in a particular asset class. In other words, the responsible entity's exposure to asset backed investments is generally limited to investments that are secured debt facilities of a commercial nature.

Because of their close approximation in character to the underlying assets of the commercial loan portfolio, the responsible entity is able to apply an already existing analytical decision-making framework to the analysis of these asset-backed investment opportunities.

When we assess secured debt facilities, we use the following criteria including:

- ✿ **Acceptable security** – The facility may be secured by a deed, charge, personal guarantee, bill of sale or other legal document requested to secure the investment i.e. the responsible entity seeks 'priority of payment';
- ✿ **Loan to value ratio** – The LVR may be as high as 100%;
- ✿ **Borrower's capacity to service and repay** – The responsible entity considers factors such as the borrower's credit history with the responsible entity or with other lenders and the purpose of the loan i.e. the responsible entity seeks 'certainty of income' and the 'preservation of real value of capital';
- ✿ **Pricing** – The return of the investment must be relative to the risk associated with the investment; and
- ✿ **Valuation** – With most transactions, the responsible entity requires that the security be valued. The valuation will either be as required by the responsible entity in accordance with the responsible entity's valuation standards or obtained under an assignment or transfer of a valuation from another party.

Assessing value

Asset backed investments are assets for which it may be difficult or impractical to obtain a traditional independent valuation of the underlying security. In these circumstances, the responsible entity will itself assess the market value of the asset. The responsible entity does so using such methods that may include the following:

- ✿ reviewing the last accounts of the borrowing entity or investment to assess cash flows and capital risk;
- ✿ assessing the assets and liabilities of any guarantors to assess their credit worthiness; and
- ✿ developing internal valuations of underlying securities based on recent contracts of sale.

Why the Fund Holds Cash

The Fund holds cash and equivalents so it can meet short term cash commitments, not for investment or other purposes.

Gearing of the Fund

A definition of gearing

Gearing is borrowing money to increase the amount available for investment. All obligations of geared borrowing are met by the Fund. Gearing increases the gains or losses from investments compared to the returns on a corresponding ungeared investment. The gearing level in a fund is measured as a ratio of total debt to total assets. For example, if the debt is \$20 and assets are worth \$100, the gearing ratio is 20%.

The Fund may have a gearing level of up to 20%.

The responsible entity has in place a loan facility agreement for \$20 million repayable by the end of October 2008.

It is not the intention of the responsible entity to borrow for long term investing.

It is the responsible entity's aim to borrow only for short periods and repay the funding as soon as practicable. As other investments mature or are liquidated then the borrowing will be repaid.

5. FEES AND OTHER COSTS

CONSUMER ADVISORY WARNING

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission ('ASIC') website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

5.1 Fees and other Costs

The following table shows fees and other costs that a Unitholder may be charged under the Constitution in the event that proposed changes to the constitution are approved by Unitholders in general meeting scheduled to be held on 18 September 2008. These fees and costs may be deducted from a Unitholder's money, from the returns on a Unitholder's investment or from the Fund assets as a whole.

Taxes are set out in another part of this document. For information about taxation see Section 9.

All fees are shown inclusive of tax (including GST) and net of any applicable reduced income tax credits.

Type of fee or cost	Amount	How and when paid
Fees when money moves in or out of the Fund		
Establishment fee: The fee to open your investment	Nil	Not applicable
Contribution fee: The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee: The fee on each amount you take out of your investment	Nil	Not applicable
Termination fee: The fee to close your investment	Nil	Not applicable
Management costs		
The fees and costs for managing your investment	Management fee¹ A management fee of up to 0.7% (inclusive of GST) per annum of	Calculated monthly with reference to the value of the funds under management at the end of the prior month and

Type of fee or cost	Amount	How and when paid
	the gross value of assets under management of the Fund (or \$7 per \$1,000 of the gross value of assets under management).	payable monthly in advance out of Fund assets.
	Other management costs² All costs properly incurred in connection with the administration and management of the Fund by the responsible entity. The Fund's ongoing costs are estimated at an amount equal to be 0.32% (inclusive of GST) of the value of the assets of the Fund (or \$3.20 per \$1,000).	These costs are deducted from Fund assets and either paid when incurred to the relevant person, or reimbursed to the responsible entity on at least a monthly basis.
Service fees		
Investment switching fee: The fee for changing investment options	Nil.	Not applicable.

Notes

1: Management fee - The responsible entity is entitled to be paid a management fee of up to 0.7% per annum (inclusive of GST) of the gross value of assets under management. As at 31 May 2008, the value of assets under management was \$413 million. Based on this amount, an annual management fee of up to \$2.89 million is payable to the responsible entity out of the Fund's assets. No management fee will be charged until after 3 cents in cash has been paid to Unitholders.

2: Other management costs - The Fund's ongoing costs are estimated at an amount equal to be approximately 0.32% (inclusive of GST) of the gross value of the assets of the Fund. As at 31 May 2008, the value of assets of the Fund was \$413 million. Based on this amount, the responsible entity forecasts the total other costs for managing the Fund to be \$1.32 million. Included in this amount are accounting, audit, custodian and compliance committee costs.

5.2 Additional Explanation Of Fees And Costs

The Wholesale Premium Income Fund

From 13 June 2008, the responsible entity of the Wholesale Premium Income Fund ('the Wholesale Fund') has been Wellington Investment Management Limited. Pursuant to the Wholesale Fund's constitution, as long as the responsible entity of the Wholesale Fund remains the same as the responsible entity of the Premium Income Fund, and the responsible entity properly performs its duties, then all expenses and liabilities of the Wholesale Fund will be paid by the Premium Income Fund. Because the Wholesale Fund acts as a feeder fund to Premium Income Fund, the responsible entity on behalf of Premium Income Fund has agreed (subject to the Corporations Act) to pay the fees, costs and operating expenses (excluding borrowings) of the Wholesale Premium Income Fund from the assets of the Premium Income Fund.

Transaction Costs

The responsible entity may incur transaction costs when managing the investments of the Fund. Transaction costs such as brokerage, settlement costs, clearing costs and government charges may result from changes in the Fund's investment portfolio or when cash flows in or out of the Fund. Transaction costs vary depending on the nature of the Fund's underlying investments. Transaction costs are paid directly from the Fund at the time they are incurred. These are covered as part of management costs.

Abnormal Operating Expenses

Abnormal operating expenses arise due to abnormal events such as disbursements incurred in connection with convening or holding any meeting of Unitholders.

These charges represent a reimbursement to the responsible entity from the Fund in accordance with the Fund's Constitution to cover abnormal operating expenses incurred by the responsible entity in connection with performing its duties and obligations in administering the Fund.

Abnormal operating expenses are not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any given year.

External Manager

The responsible entity has previously and may in the future retain external managers to assist, select and manage certain elements of the portfolio. This will only occur where the criteria in section 4.3 have been satisfied. Fees payable to external managers (if any) will be a Fund expense not expected to exceed 0.2% of the value of assets selected by the relevant manager.

Goods and Services Tax (GST)

Unless otherwise indicated, all fees stated in this section are inclusive of the net effect of GST.

Custodian fees

The Custodian, Perpetual Nominees Limited, is entitled to be paid an annual ongoing administration fee of 0.02% of the Funds assets under management payable monthly in arrears. This fee is payable by the Fund.

Fee on removal

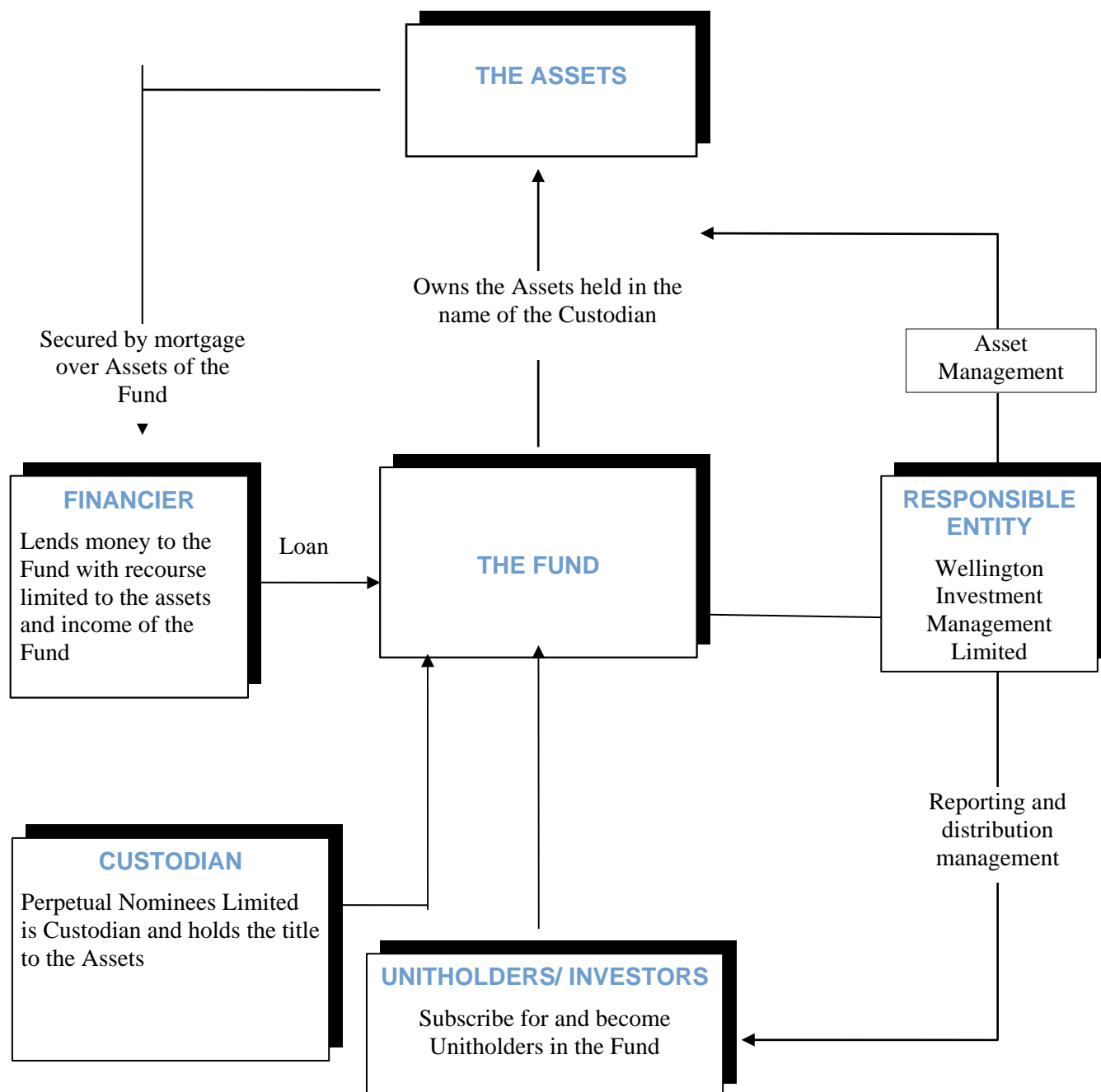
If the responsible entity is removed as the responsible entity of the Fund, then in consideration for work done the responsible entity will be entitled to a fee equal to 2% (plus GST) of the value of the assets in the Fund (except where the responsible entity has breached its statutory duties). For example, if the Fund assets are \$300 million a removal fee of \$6.6 million would be payable out of the Fund assets. If this payment is made it would adversely affect the Fund's net assets. The fee would be paid from available cash or through the liquidation of assets of the Fund.

Waiver of fees and expenses

The responsible entity may, in its discretion, waive fees and expenses that it is entitled to receive, or it may defer payment of those fees and expenses for any time. If payment is deferred, then the fee will accrue until paid.

6. FUND STRUCTURE

The basic framework of the Fund structure is set out in the following diagram.



6.1 Fund Constitution

The Constitution is the document which governs the Fund and the relationship between the responsible entity and the Unitholders. A summary of the key terms of the Constitution is set out in section 13.2.

The Constitution together with the Corporations Act, sets out the conditions under which the Fund operates and the rights, duties and obligations of the responsible entity and Unitholders.

The Constitution of the Fund contains provisions relating to:

- ♦ the rights, interests and liabilities of Unitholders;
- ♦ the duties and obligations of the responsible entity as the responsible entity;
- ♦ investment, valuation and borrowing powers of the responsible entity;
- ♦ fees and recoverable expenses;
- ♦ unit issue and withdrawal procedures;
- ♦ calculation and distribution of Income;
- ♦ convening and conduct of Unitholder meetings;
- ♦ the duration and termination of the Fund; and
- ♦ rights to Fund distributions.

Unitholders can inspect a copy of the Constitution at the office of the responsible entity as listed in the Directory.

The responsible entity may alter the Constitution if we reasonably consider that the variation does not adversely affect Unitholders' rights. Otherwise, the amendment must be approved by special resolution at a meeting of Unitholders.

6.2 The Responsible Entity

The responsible entity is the manager of the Fund and is responsible for the management of the Assets and the funds of the Fund on behalf of Unitholders.

6.3 The Custodian

The responsible entity and the Custodian have entered into a Custodian Agreement under which the Custodian acts as the responsible entity's custodian in respect of the assets of the Fund.

6.4 Financiers

The Fund's senior financier has provided a loan. The outstanding principal as at 31 July 2008 was \$20 million. The Fund is the borrower and liability is limited to the interest in and entitlements from each of the Assets. The financier has no recourse to a Unitholder's assets. A charge over the assets of the Fund has been provided by the Custodian on behalf of the Fund in favour of the senior financier.

See section 7 for more information.

6.5 Secondary Trading

Even if listed on NSX, there is unlikely to be a significant volume of trading of Units on the secondary market.

7. BORROWINGS

7.1 Borrowings

Borrowing arrangements are an important and integral part of the Fund.

Financiers' Security

The financiers' security is limited to the assets and income of the Fund. In the event of a default, **the financiers are not entitled to make a claim against an Unitholder's own assets, only those of the Fund.**

Previous Finance Facility

The responsible entity was in default of the previous finance facility it had with its senior financier. As a result, the loan became repayable on demand. Negotiations with the senior financier resulted in an agreement with the senior financier to suspend its rights to take action as a result of the breach of the financial ratio covenant.

The responsible entity negotiated an extension of the agreement to 31 July 2008 ('Standstill Agreement'), subject to meeting the requirements of that agreement.

Under the terms of the standstill agreement, the responsible entity could not deal with the assets of the Fund, including for the purposes of making payments to Unitholders or paying expenses on behalf of the Fund, without the approval of the senior financier. As a condition of the standstill agreement, the senior financier required the responsible entity to instigate the orderly realisation of sufficient assets to repay the loan.

To manage this situation, the responsible entity commenced implementation of a considered plan to repay the senior financier as soon as practicable and maximise the recovery of all Fund assets.

The balance outstanding under the finance facility on 31 May 2008 was \$70 million. This was reduced to \$20 million by 31 July 2008. The remaining \$20 million has been refinanced for 90 days.

7.2 Support Facility

The MFS Support Facility is a contractual arrangement between the responsible entity and MFS Limited (now known as Octaviar Limited) pursuant to which MFS agreed to provide callable funds to the responsible entity in order to allow the responsible entity to:

- ✿ meet any shortfall in the target distributions of the Fund; and
- ✿ meet any expenses.

The arrangement with MFS was entered into to ensure there was additional backup funding which was to be provided by the listed entity. The MFS Support Facility is not a loan facility and in the event that it is drawn, is not repayable by the Fund to MFS.

Callable funds are funds payable by MFS to the responsible entity upon the responsible entity's written request pursuant to the terms of the MFS Support Facility.

The MFS Support Facility will remain in force for so long as the current responsible entity, or Wellington Capital Limited, remains the responsible entity of the Fund. In the event that the responsible entity retires, resigns or is removed as responsible entity of the Fund and is not replaced by a related party, MFS will be entitled by notice in writing to terminate the MFS Support Facility immediately. If MFS validly terminates the MFS Support Facility, MFS's obligations under the MFS Support Facility will cease immediately. However, any money paid by MFS under the MFS Support Facility will remain the property of the Fund and MFS has no claim for the repayment of that money if the MFS Support Facility is called upon.

On 26 February 2008, the responsible entity provided MFS with an option notice to notify MFS that it was calling on the full value of the Support Facility. The MFS Support Facility has a callable value of \$50 million. The Fund has not yet received this payment and the Fund continues to be a major creditor of MFS.

On 28 April 2008, MFS released its December 2007 financial accounts to the Australian Stock Exchange (ASX). In the Directors' report to the accounts it was noted that MFS is liable to the full \$50 million pursuant to the MFS Support Facility. It was further noted that the financial support to the Fund by MFS is currently the subject of discussions and forms part of wider negotiations with the large unsecured creditors of MFS. An offer has been made to settle the claim and the board remains in discussions with MFS.

8. FINANCIAL INFORMATION

8.1 Introduction

This section sets out financial information as well as information relating to the Fund's borrowings.

The financial information set out in this section 8 consists of the balance sheet as at 31 May 2008.

The financial information must be read in conjunction with the assumptions and risk factors set out in this Information Memorandum. Whilst the directors believe that the assumptions and risk factors are appropriate and reasonable as at the date of this Information Memorandum, some factors that affect the actual results cannot be foreseen and accurately predicted. Many of these factors are beyond the control of the responsible entity. Consequently, the responsible entity cannot guarantee that the results in the forecast financial information will be achieved. Investors are advised to consider assumptions, and risk factors carefully when reading the financial information.

Note 1 – Assumptions

The balance sheet has been prepared on the basis of the best estimate assumptions set out in this section of the Information Memorandum. The corporate advisory and real estate team from 333 Capital Pty Ltd were engaged to assist in determining the likely realisable value of the assets in the portfolio on the assumption that the Fund was a going concern with a 3 to 5 year time horizon and separately in the event that there was a liquidation of the assets of the Fund by 31 March 2009.

333 Capital Pty Ltd provided a value range in relation to the estimated realisable value of the Fund as a going concern. The directors of the responsible entity had further discussions with borrowers, potential purchasers of assets and received legal advice on a range of relevant issues in concluding that the estimated realisable value of the total assets of the Fund as at 31 May 2008 was \$413.7 million.

The estimated value in the event the portfolio was liquidated by 31 March 2009 was determined by 333 Capital Pty Ltd. The board have adopted 333 Capital Pty Ltd's estimate.

333 Capital Pty Ltd have been retained by the responsible entity to assist determining the strategy for each asset, and to take assets to the market where appropriate. 333 Capital Pty Ltd separately provides corporate advice to MFS. 333 Capital Pty Ltd charges fees based on agreed hourly rates. All fees to date have been paid by the responsible entity of the Fund or by MFS under the previously existing service agreement with the responsible entity.

The 333 Capital Pty Ltd team retained by the responsible entity is different to the team retained by MFS.

All figures are shown net of the GST effect. The responsible entity considers the assumptions to be reasonable given the current state of knowledge regarding each assumption as at the date of this Information Memorandum.

The following general assumptions have been made:

- ✿ nothing will occur that will have a materially detrimental impact on the economic climate in Australia;
- ✿ the Fund's operations will not be adversely affected by any changes to the regulations governing the funds management industry; and
- ✿ there will be no material change in Australian income tax legislation or other legislation that may affect the Fund.

	31 Dec 2007	31 May 2008 Carrying Value	31 May 2008 Estimated Realisable Value	Estimated realisable value if assets liquidated by 31 March 2009
	\$000's	\$000's	\$000's	\$000's
Assets				
Cash and cash equivalents	15,880	15,417	15,417	15,417
Mortgage loans	351,674	360,581	275,994	157,451
Asset backed investments	307,012	267,545	96,655	34,316
Units in managed investment schemes	160,925	93,297	5,599	1,401
Fixed interest securities	117,400	16,872	15,523	4,101
Other assets	13,754	10,059	4,559	145
Total assets	966,645	763,771	413,747	212,831
Liabilities				
Bank loan	200,000	70,000	70,000	70,000
Other liabilities	6,496	2,576	2,576	2,596
Total liabilities	206,496	72,576	72,576	72,792
Costs of realisation	-	-	-	(31,821)
Net Assets	760,149	691,195	341,171	108,435
Unitholders equity				
Unitholders' funds	771,040	755,147	755,147	755,147
Profit/(loss) for the period	(10,891)	(63,952)	(413,976)	(646,712)
	760,149	691,195	341,171	108,435
Net Asset Backing per Unit	\$0.99	\$0.92	\$0.45	\$0.14

Net asset backing per Unit is net assets (excluding other liabilities) divided by the total number of Units on issue or assumed to be on issue.

NOTES TO THE BALANCE SHEET

Statement of Significant Accounting Policies

The balance sheet as at 31 May 2008 has been prepared in accordance with AAS and other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act and the terms of the Constitution.

The balance sheet has been prepared on an accruals basis and is based on historical costs and does not take into consideration changing money values. Cost is based on the fair values of the

consideration given in exchange for assets. The following is a summary of the material accounting policies adopted by the Fund in the preparation of the balance sheet.

Income Tax

No liability has been raised for income tax as it is unlikely that any taxable income will be retained by the Fund and its controlled entities in 2008.

Investment

Investments in property and mortgages comprise primarily of land, buildings and improvements to land and buildings. Investment property is measured at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. All investments have been assessed and are recorded at cost or the directors assessment of market value on a going concern basis.

The cost includes all costs of acquisition such as stamp duty, the responsible entity's acquisition fee, legal fees, etc.

Interest Bearing Liabilities

Interest bearing liabilities are initially measured at cost. Subsequent to initial recognition, interest bearing liabilities are measured using the effective interest method.

Other Liabilities

Other liabilities represent Unitholders' funds contributed to the Fund. AAS requires that Unitholders' funds contributed to the Fund be recognised as non-current other liabilities.

Cash Payments to Unitholders

The amounts paid to Unitholders for accounting purposes are treated as a financing cost expense. For taxation purposes, these payments continue to represent distributions under the Income Tax Assessment Act.

Unitholder entitlements have been recognised on an accrual basis.

Capitalisation of Borrowing Costs

The Fund has adopted AASB 139 Financial Instruments: Recognition and Measurement, and recognises financing costs incurred in the acquisition of interest bearing liabilities as a reduction in the interest bearing liabilities using effective interest method. Financing costs are expensed over the period of the loan.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the tax authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Impairment of Assets

The Fund reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. The assets' carrying value has been adjusted in the balance sheet for the excess over its recoverable amount.

8.2 Offer from MFS

MFS has made an offer to each of its five creditors. The board of Wellington Investment Management Limited has received an offer from MFS in similar terms to the other creditors and is currently considering the proposal. The board remains in discussions with MFS and its advisers in relation to an outcome.

The offer is for 22.5 cents per \$1.00 outstanding or a secured debt position with MFS, with the debt to be repaid in 3 years from the proceeds of the sale of MFS's 33.3% ownership in the Stella travel business. The value of the debt alternative is almost entirely dependent on the value of the Stella travel business in 3 years and is therefore difficult to determine.

MFS' offer to the Premium Income Fund is also dependent upon all other creditors of MFS agreeing to compromise what is currently due to them. If for example, only 4 of the 5 creditors owed money by MFS reached agreement the offer to the Premium Income Fund could not proceed.

MFS has clearly indicated that if agreement is not reached, MFS will be wound up. This alternative is not economically desirable from the Premium Income Fund's perspective as on a winding up it is estimated by MFS that the return to the Premium Income Fund would be 11.8 cents per \$1.00 outstanding. The timing of the payments would also be very uncertain.

Wellington Investment Management Limited joined all of the other creditors in the Supreme Court of Queensland on Thursday 24 July 2008 opposing the application to wind up MFS. The application for winding up of MFS has now been adjourned to 9 and 10 September 2008.

If the cash offer were accepted as proposed, the Fund would receive \$44.4 million and all legal action against MFS in relation to the Support Facility (\$50 million) and the claim commenced on 24 June 2008 (\$147.5 million) would be at an end.

Full documentation in relation to the offer from MFS is now available on Premium Income Fund website www.newpif.com.au.

9. TAXATION ANALYSIS

This taxation analysis provides a broad summary of the taxation consequences for Australian resident Unitholders who hold Units in the Fund. The taxation implications for non-resident Unitholders are beyond the scope of this analysis.

This information is general in nature because the tax implications for each Unitholder may vary depending on their particular circumstances. Accordingly, it is recommended that each Unitholder seek their own professional advice regarding the taxation implications. This taxation analysis is not, and is not intended to be, taxation advice to any particular Unitholder.

9.1 Fund Taxation

A unit trust entity such as the Fund which has as its primary purpose the derivation of income from various investments, is not subject to income tax on its net income to the extent that Unitholders are presently entitled to that income.

Based on the current tax law, the nature of and the terms of the Constitution, the net income of the Fund will be assessable to Unitholders in proportion to their Unitholding in the Fund. This will be the case whether or not all of that net income is actually paid to the Unitholders.

A Unitholder is assessed only on their proportionate share of this net income of the Fund, even if the accounting income is higher than the net income. This excess of accounting income would represent tax deferred amounts.

These tax deferred amounts can be a consequence of the offset against income of tax deductions attributable to building write off allowance, depreciation of the Fund's plant and equipment, and amortisation of borrowing costs, in excess of corresponding accounting expenses.

However, to the extent that amounts are paid to Unitholders in excess of the net income (either as a distribution of tax deferred amounts or as a partial capital repayment of the amounts paid up on Units), adjustments may be required to the cost base of Units.

Where the Fund realises a revenue tax loss in any year of income, this loss may be able to be carried forward and utilised by the Fund to offset future assessable income. The ability to carry forward and utilise a tax loss will be subject to the Fund satisfying specific tax law trust loss rules.

9.2 Capital Gains Tax

Gains by the Fund

Upon the disposal of any property held by the Fund for more than 12 months, the capital gain (without indexation, see below) is reduced by a 50% CGT discount in determining the Fund's net income for income tax purposes.

If the disposal generates a capital loss, the loss is quarantined in the Fund and is only available for offset against any future capital gains made by the Fund.

The distribution of the capital gain to Unitholders has special tax implications. In general, the Unitholder must gross-up the distribution by doubling the discounted capital gain included in any net income of the Fund before applying any capital losses.

Unitholders, other than companies, then apply the applicable CGT discount to the grossed-up amount net of capital losses (if any) to determine the Unitholders' net capital gain. For trustees (where the gain may be further distributed, and accordingly this process repeated) or individuals, the applicable CGT discount is 50%, whilst for superannuation funds it is 33.3%.

While the CGT discount is available to trustees of trusts is 50%, there are complex tax rules governing the flow through of CGT discounts through trusts to beneficiaries. The consequences may

vary depending on each trust's specific circumstances. Accordingly, trustees of a trust, should seek separate advice around the flow through to beneficiaries of any capital gain realised.

For Unitholders that are companies, no CGT discount applies so that once the share of the capital gain distributed from the Fund has been doubled, there is no further reduction.

Direct and deemed gains

Upon the actual or deemed disposal by a Unitholder of a Unit in the Fund, CGT may apply.

The initial cost base is no longer increased by the consumer price index ('CPI') in determining the CGT cost base for a later sale or other disposal.

Instead, the current tax legislation provides for reductions in the amount assessable. In the case of individuals and trusts the CGT discount is 50%, and for complying superannuation funds it is 33.3%. The CGT discount will be available where the Unit has been held for more than 12 months and the level of assets held by the Fund for more than 12 months is also sufficient to meet certain tests. No CGT discount is available to companies.

Reduction of cost base of Units

The cost base of Units for the CGT calculations on an actual or deemed disposal will be effectively adjusted (reduced) by the sum of any non-assessable distributions made, which may relate to tax deferred distributions or partial repayments of the Investor's initial capital investment.

Distributions of the non-taxed component of the capital gain made by the Fund on the sale of a Fund asset due to the CGT discount, do not reduce the cost base of the Units.

Goods and Services Tax ('GST')

GST will apply to taxable supplies. This tax applies to certain rents, outgoings contributions and other receipts of the Fund.

Expenditure that the Fund incurs which includes a GST component will generally entitle the Fund to an input tax credit.

GST is not payable on the consideration paid for a Unit in the Fund as it is a 'financial supply' and therefore input taxed.

Tax law

Investors should note that Australian tax laws are complex and are constantly subject to change. The views forecast in this Information Memorandum are based on law current at the date of this Information Memorandum.

The taxation comments in the section are general in nature by necessity. They do not, for example, apply to non-residents or those who carry on a business of trading in units.

Tax liabilities are the responsibility of each Unitholder and the responsible entity and its Directors are not responsible for taxation or penalties incurred by Investors.

10. THE RESPONSIBLE ENTITY

10.1 The responsible entity

Wellington Investment Management Limited

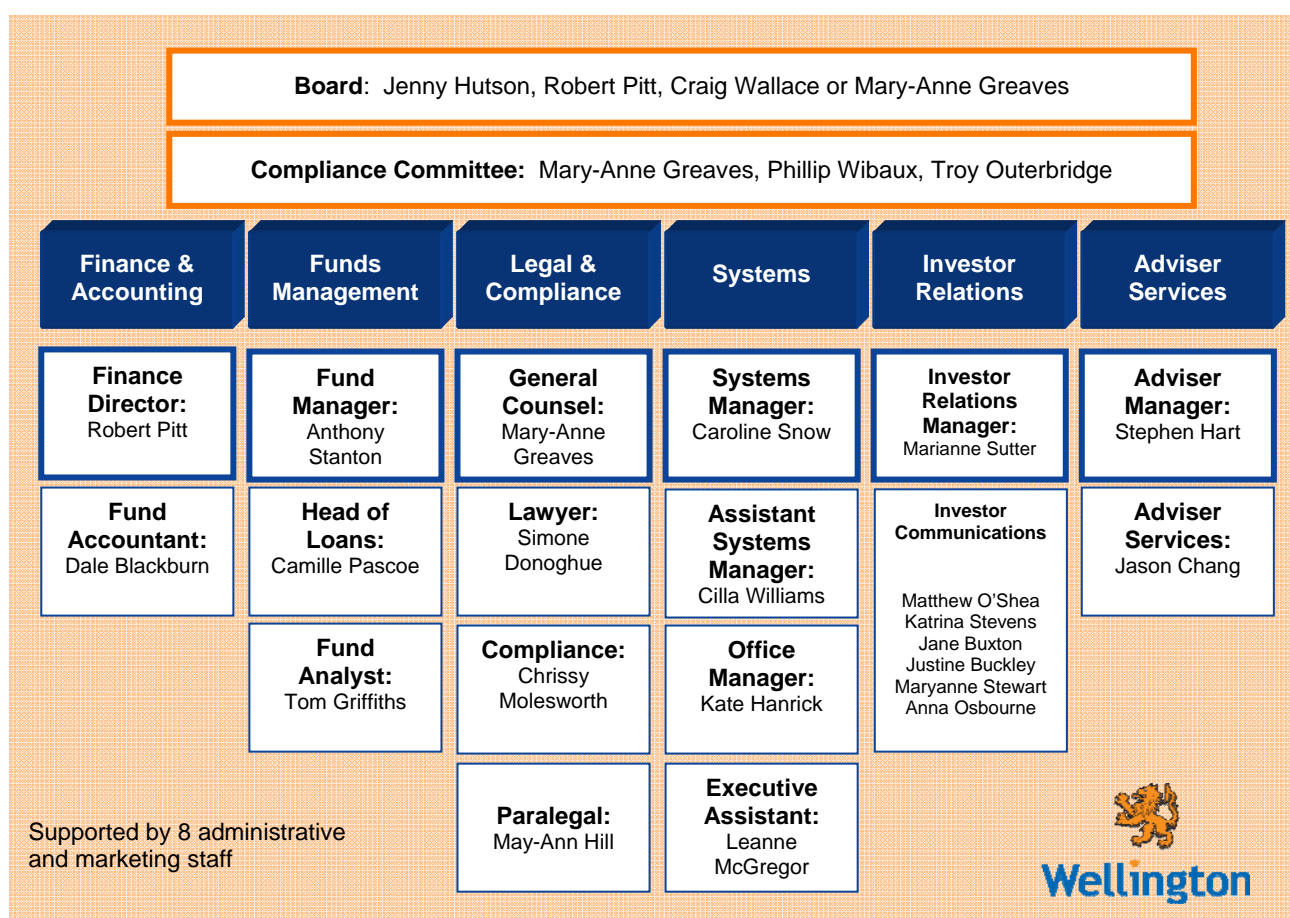
Wellington Investment Management Limited, a wholly owned subsidiary of Wellington Capital Limited, is the current responsible entity of the Fund. It holds Australian Financial Services Licence No. 246553 issued by ASIC which permits it to be a responsible entity and manage the nature of the Fund. It is proposed that Wellington Capital Limited become the new responsible entity of the Fund. This will be considered by Unitholders in general meeting on 18 September 2008.

Wellington Capital Limited holds Australian Financial Services Licence No. 291562 and its authorisations enable it to become the responsible entity of the Fund.

Wellington Capital has an experienced team of professional staff who are responsible for asset management, fund management and compliance. This team is currently working for Wellington Investment Management Limited by arrangement with Wellington Capital Limited. They will be the team responsible for the Fund whether Wellington Investment Management Limited remains the responsible entity or if Wellington Capital Limited becomes the new responsible entity.

Wellington Capital's directors and senior management team have a wide variety of skills and experience in areas critical to the successful acquisition, management and sale of the assets of the Fund including property acquisition, valuation, financial analysis, funds and asset management, accounting and management. These skills and experience will assist in maximising performance.

10.2 Organisational Structure



10.3 Wellington's role

Wellington's role is to be responsible for the efficient management of the Fund. Wellington has a range of duties, responsibilities and powers, which are set out in the Constitution. It must also comply with the various requirements of the Corporations Act. The responsible entity is required to act in the best interests of the Unitholders.

In addition to carrying out the asset management of the Fund and causing the collection of income from the Fund, the responsible entity's role is to supervise, arrange or manage:

- ✿ the purchase of additional assets;
- ✿ the borrowings of the Fund;
- ✿ the maintenance of accounting and taxation records;
- ✿ cash payments;
- ✿ preparation of reports to Unitholders;
- ✿ maintenance of the Unitholders' register;
- ✿ general business affairs of the Fund; and
- ✿ compliance with NSX Listing Rules and the Corporations Act reporting obligations.

Change in the responsible entity

Wellington Investment Management Limited intends to retire and propose that Wellington Capital Limited be appointed the new responsible entity of the Fund. This proposal will be put to Unitholders at a general meeting. If Unitholders are unsatisfied with Wellington Capital Limited's performance, the Unitholders may remove it as responsible entity by the requisite resolution at a Unitholders' meeting. The responsible entity may also retire providing Unitholders are given an opportunity to appoint a replacement responsible entity. The procedures for calling a meeting and voting are set out in the Constitution.

Responsible entity's Insurance

The current responsible entity Wellington Investment Management Limited and the proposed responsible entity Wellington Capital Limited both have professional indemnity and fraud insurance cover effected with a reputable insurer as required by its Australian Financial Services Licence.

The Board of Directors

The board of Directors sets the strategic direction of the Fund and has ultimate responsibility for the performance of the Fund. The board of the current responsible entity, Wellington Investment Management Limited, currently comprises three Directors – Jenny Hutson, Robert Pitt and Craig Wallace.

The board of the proposed responsible entity, Wellington Capital Limited, currently comprises three Directors – Jenny Hutson, Robert Pitt and Mary-Anne Greaves.

10.4 Directors of Wellington Investment Management Limited

The board is composed of individuals with a diverse range of skills and experience, including merchant banking, accounting, property investment law and finance.

Details of each of the Director's positions and their biographies are provided below.

Jenny Hutson B.Com LL.B FAIM FAICD Age 40 Managing Director

Jenny Hutson is the Chairperson of Wellington Investment Management Limited and the Managing Director and Founder of Wellington Capital Limited, a merchant bank specialising in property and finance based projects.

Wellington Capital has been corporate adviser on projects worth in excess of \$1.5 billion in the last 3 years. Jenny has led the establishment and expansion of the group's existing funds management business.

Jenny has taken the lead role in a wide range of large and complex corporate and finance transactions over the last 20 years predominantly in property, finance and funds management. This includes a 10 year association with leading funds manager, Property Funds Australia Limited and as Chairperson of S8 Limited and the S8 Property Trust.

Jenny was previously a partner for 10 years in the corporate division of McCullough Robertson Lawyers, a top 20 Australian law firm with over 400 staff. Jenny specialised in advising fund managers and headed the Corporate Advisory practice. Jenny also co-authored the first edition of the textbook '*A Practical Guide to Managed Investments*' with Professor Paul von Nesson.



Qualifications and Memberships

Chairperson, Wellington Investment Management Limited
 Managing Director, Wellington Capital Limited
 Bachelor of Commerce and Laws, University of Queensland
 Solicitor, Supreme Court of Queensland
 Fellow, Australian Institute of Management
 Fellow, Australian Institute of Company Directors
 Director, Big River Timbers Limited
 Director, Royal Children's Hospital Foundation
 Member, National Advisory Board, Year of the Surf Lifesaver
 Fellow, Emmanuel College, University of Queensland

Robert Pitt CPA FCIS MAICD Age 64
Finance Director

Robert Pitt is a director of Wellington Investment Management Limited and the Finance Director of Wellington Capital. He is a Certified Practising Accountant and a Fellow of the Chartered Institute of Secretaries, and has been extensively involved in the property and financial services industry for the past 25 years.



Robert heads the Wellington Capital finance team and has primary responsibility for the group's \$1 billion in assets under management and its investment portfolio. He is responsible for a broad range of reporting requirements (based on prudential and financial requirements) and provides ongoing analytical support to the business.

Robert has extensive experience in financial management, financial control, balance sheet risk and management. Robert provides financial compliance and strategic business support to the Wellington Capital group by planning and driving financial strategic growth initiatives, the benefit of which is passed on to Wellington Capital's investors. He has responsibility for overseeing forecasting, statutory reporting requirements, budgeting as well as driving and recommending continuous improvement for financial controls and processes.

He was previously an executive director of the CUA Friendly Society Limited and CUA Health Fund, and has held senior positions with Coca Cola Amatil, Brambles, Pfizer Corporation and Bendigo Bank.

Qualifications and Memberships

Certified Practising Accountant
 Fellow of the Chartered Institute of Secretaries
 Member, Australian Institute of Company Directors

Craig Wallace B.Com MBA FCPA FAICD – Age 55
Non-executive director

Craig was formerly a director of KPMG Corporate Finance, and is now principal of The Alternative Advisory Firm. He has over 25 years experience in investment banking and corporate advice, dealing with transactions involving property, construction, tourism and accommodation, as well as other industries.



Craig is currently a director of Anthony Morton Group Funds Management Limited. He has joint responsibility for the approval and management of over \$300 million in funds that have been invested in a number of prominent building and construction projects.

Craig's expertise involves corporate restructures, divestments, acquisitions and financing with the objective of improving returns on assets.

He was formerly a director of ASX listed SunnyCove Management Limited. SunnyCove communities are strata titled investments owned by independent landlords seeking rental yield returns and capital gain.

Craig is a director of a number of Australian Financial Services Licensees, and has been responsible manager for others.

Qualifications and Memberships

Bachelor of Commerce
 Diploma of Advanced Accounting
 Master of Business Administration
 Fellow of the Australian Society of Certified Practising Accountants
 Fellow, Australian Institute of Company Directors

10.5 The board of Wellington Capital Limited

The board of Wellington Capital Limited comprises Jenny Hutson and Robert Pitt, whose profiles are set out in section 10.4, together with Mary-Anne Greaves whose profile is set out below.

Mary-Anne Greaves LL.B ACIS Age 43 **Director**

Mary-Anne Greaves is Company Secretary of Wellington Investment Management Limited. She is a Director of Wellington Capital Limited and is responsible for the Wellington Capital group's compliance functions.

Mary-Anne is a lawyer and has a particular focus in the property and finance industries. She has 16 years experience in finance and property in various roles with Bendigo Bank Limited and Northern Building Society Limited. She has been a corporate lawyer for 8 years, specialising in licensing, compliance and capital raising issues for funds management businesses. Mary-Anne also holds a Real Estate Agent's Licence.



Mary-Anne has led numerous due diligence assignments and has a strong interest in the area of corporate governance and compliance. She is a Chartered Secretary and an Associate of Chartered Secretaries Australia.

Mary-Anne ensures compliance with Wellington Capital group's regulatory requirements.

Qualifications and Memberships

Bachelor of Laws, University of New England
Solicitor, Supreme Court of Queensland
Chartered Secretary
Licensed Real Estate Agent – Queensland
Member, Queensland Law Society
Member, Real Estate Institute of Queensland
Associate, Chartered Secretaries and Administrators and Chartered Secretaries Australia

10.6 Management Team

Anthony Stanton – LL.B B.Bus Age 37 **General Manager – Funds Management**

Anthony is an experienced manager and lawyer. He has deep expertise in leadership, management, accountability and regulatory compliance and wide experience in funds management, capital raising and listing issues.

In his role as General Manager – Funds Management, Anthony is responsible for the operations of the Fund.

Anthony has led teams on major acquisitions, collective agreement negotiations, business process improvement and strategic asset and personnel management projects.

Anthony has 20 years experience in government, the law and the defence service. Anthony spent 15 years in both the Army and Navy, commencing as a private soldier and exiting as a naval lawyer. Anthony also has public sector experience as a marine incident investigator and business manager, and has experience in the private sector as a corporate lawyer. Anthony has most recently managed the Queensland Government's Pilotage and Hydrographic Service, a large self contained business unit with an operating budget of approximately \$43 million and over 100 staff.

Qualifications and Memberships

Bachelor of Laws, Queensland University of Technology
Bachelor of Business, Queensland University of Technology
Solicitor, Supreme Court of Queensland
Member, Queensland Law Society

Stephen Hart – F Fin Adv. Dip. Fin. Serv (Fin Planning) Age 53**National Manager, Adviser Services**

As the National Manager, Adviser Services of the Premium Income Fund, Stephen is directly responsible for the Fund with the dealer group network. Stephen has been involved with the Premium Income Fund for the last 7 years.

Stephen has worked within the financial industry for nearly 30 years. His diverse professional experience extends from branch banking, through corporate lending and account management to corporate treasury (with one of Australia's leading industrial companies) and now adviser services.

While based in Sydney for much of his career, Stephen also worked in London and other centres in the UK. He has also enjoyed extended work postings to the Netherlands and United States.

Qualifications and Memberships

Advanced Diploma in Financial Planning

Fellow, Financial Services Institute of Australasia (FINSIA)

Jason Chang – B.Eng Dip. Fin. Serv (Fin Planning) Age 35**Adviser Services Manager**

As Adviser Services Manager with the Premium Income Fund, Jason works closely with Stephen Hart in liaising with the dealer group network.

Jason has over 5 years direct experience in the funds management industry. He has had extensive exposure to retail investors and advisers, as well as experience in asset management.

As a qualified engineer, Jason acquired extensive experience in the construction industry, prior to working within the finance industry. He held numerous roles within the construction industry, including with Thiess Contractors.

Qualifications and Memberships





Bachelor of Civil Engineering, Sydney University

Diploma of Financial Planning, IntegraTec

Caroline Snow AIMM Age 29**Systems Manager**

Caroline is the Systems Manager for the Premium Income Fund. Caroline is responsible for the management of the internal processes of the Fund and for the day-to-day management of investor communications.

In her role with the Premium Income Fund, Caroline draws on her experience as a commercial analyst, where Caroline has been involved in a wide variety of funds management issues, including the following:

-  commercial documentation in relation to mergers, acquisitions and investments;
-  monitoring and evaluating investor relations activities;
-  undertaking research and analysis concerning investment opportunities; and
-  developing and maintaining relationships with analysts and institutions.

Memberships

Member, Australian Institute of Management

Member, Queensland Environmental Law Society

Associate Member, Queensland Law Society

Camille Pascoe Age 53 **Head of Loans**

As the Head of Loans for the Premium Income Fund, Camille is responsible for the day-to-day administration of the Fund's loan portfolio. Within her role she works closely with both the finance and legal teams to ensure that the administration of the portfolio is financially, legally and commercially driven.

In performing her duties, Camille draws on her 30 years of experience in the legal sector. Camille has had extensive involvement in capital raising, mergers and acquisitions and Australian Financial Services Licensing, property and finance based organisations.

During her career, Camille has spent a total of 17 years in the employ of one of Queensland's leading commercial law firms and has significant Company Secretary experience.



10.7 Corporate Governance

Wellington has a strong commitment to good corporate governance.





The board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly in accordance with the law and in the interests of investors and other stakeholders.

Scope of responsibility

The broad functions of the board include:

-  establishing investment strategies for the Fund; and
-  monitoring the implementation and execution of investment strategies and performance against financial targets.

Power and authority in certain areas is specifically reserved by the board. These areas include:







-  composition of the board including the appointment and removal of directors on the board;
-  overseeing the company's internal control, financial management, risk management and investment selection;
-  appointment and removal of key consultants; and
-  reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and legal and statutory compliance.

Composition of the Board

Currently the board of both Wellington Investment Management Limited and Wellington Capital Limited comprise three directors. It is intended that this composition be maintained.

Charter and policy

The board has adopted a formal corporate governance charter and policy as the responsible entity (which will be reviewed and amended from time to time as the board may consider appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:

-  a framework for the identification of candidates for appointment to the board and their selection;
-  a framework for individual performance review and evaluation;
-  appropriate training to be made available to directors on an ongoing basis;
-  procedures for meetings of the board and the committees including frequency, agenda and minutes;
-  procedures for directors to seek independent legal advice; and
-  communications with investors.

These initiatives, together with other issues provided for in the responsible entity's charter, are designed to 'institutionalise' good corporate governance and generally, to build a culture of best practice in the responsible entity's own internal practices and in its dealings with others.

Compliance Committee

Both Wellington Investment Management Limited and Wellington Capital Limited have established Compliance Committees. Compliance issues are monitored and managed by the Compliance Committee in accordance with the Compliance Plans for each of the registered schemes in the group. The majority of the Compliance Committee members are persons who are external and unrelated. Their role is to supervise compliance with the Compliance Plans and the Corporations Act.

The Compliance Committee reports to the board and if necessary ASIC, in relation to compliance issues.

The current members of the Compliance Committees are:

- ✿ Mary-Anne Greaves (internal member)
- ✿ Phillip Wibaux (external member)
- ✿ Troy Outerbridge (external member)

The functions of the Compliance Committee are governed by the Fund's Compliance Plan and include:

- ✿ monitoring compliance with the Compliance Plan and reporting its findings to the directors of the responsible entity at such times it considers necessary or desirable or the directors of the responsible entity require;
- ✿ as soon as practicable, reporting to the board of any breach of the Corporations Act involving the Fund or a provision of the Constitution of which it becomes aware or that it suspects;
- ✿ as soon as practicable, reporting to ASIC if the Compliance Committee is of the view that the responsible entity has not taken or does not propose to take appropriate action to deal with any issue so reported;
- ✿ assessing annually (unless otherwise determined by the Compliance Committee) whether the Compliance Plans are adequate;
- ✿ reporting on the adequacy of, and making recommendations to the board of the responsible entity about amendments to the Compliance Plans at such times as it considers necessary or desirable; and
- ✿ doing such other things as the Corporations Act requires.

In carrying out its functions, the Compliance Committee may commission independent legal, accounting or other professional advice or assistance, at the reasonable expense of the Fund.

The duties of the members of the Compliance Committee are, to the extent that the Corporations Act and ASIC policy require, to:

- ✿ act honestly;
- ✿ exercise the degree of care and diligence that a reasonable person would exercise if they were in the member's position;
- ✿ not make use of information acquired through being a Compliance Committee member to either gain an improper advantage for the member or another person or cause detriment to the Fund;
- ✿ not make improper use of their position as a Compliance Committee member to gain (directly or indirectly) an advantage for themselves or for any other person or cause detriment to the Fund; and

- ✿ do such other things as the Corporations Act requires them to do, and not do such things as it prohibits them from doing.

Audit and risk management committee

Both Wellington Investment Management Limited and Wellington Capital Limited have established audit and risk management committees to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the responsible entity.

The current members of the audit and risk management committee are:

- ✿ Jenny Hutson
- ✿ Robert Pitt

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board of the responsible entity following each meeting. Among the matters for which the committee is responsible are the following:

- ✿ internal control framework including management information systems;
- ✿ corporate risk assessment and compliance with internal controls;
- ✿ internal audit function and management processes supporting external reporting;
- ✿ review of financial statements and other financial information distributed externally;
- ✿ review of the effectiveness of the audit function;
- ✿ review of the performance and independence of the external auditors;
- ✿ review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in, or breakdown of, controls; and
- ✿ assessing the adequacy of external reporting for the needs of Investors.

10.8 Responsible Entity's Ethical Considerations

The responsible entity makes every reasonable effort to conduct its affairs and to deal with Unitholders and their Investment in an ethical manner and to comply with all relevant legal requirements and mandatory planning and environmental standards and codes. The responsible entity does not claim to give additional weight to labour standards, environmental, social or ethical considerations when purchasing, improving or selling Assets.

11. THE CUSTODIAN

Perpetual Nominees Limited

Perpetual Nominees Limited was one of the first companies of its type, formed in 1885. The company's formation was part of a ground-breaking movement away from individual trustees to larger trust and estate-administration focused entities.

Today it is one of the most trusted providers of financial products and services in Australia. Perpetual Limited is an ASX Top 200 company with a market capitalisation of approximately \$3.2 billion.

The Custodian's Role

The Custodian holds the title to the assets of the Fund and undertakes other duties as nominee. The Custodian receives all income on behalf of the Fund.

Perpetual's role as Custodian is limited to holding assets of the Premium Income Fund as agent of the responsible entity. Perpetual as Custodian has no supervisory role in relation to the operation of the Premium Income Fund and is not responsible for protecting your interests. Perpetual has no liability or responsibility to you for any act done or omission made in accordance with the terms of the Custody Agreement.

The Custodian's Remuneration

The Custodian is entitled to receive annual fees and is entitled to be reimbursed for legal fees or any other costs and expenses it incurs on behalf of the Fund.

Changing the Custodian

The responsible entity may require the Custodian to retire upon giving 60 days notice.

Other Comments

The Custodian has not been involved in the preparation of this Information Memorandum. Although referred to in the Information Memorandum, the Custodian has not authorised the issue of the Information Memorandum.

Specifically, the Custodian does not guarantee the repayment of subscriptions, the receipt of income or the performance of the Fund.

12. RISK FACTORS

12.1 Introduction

This section identifies the areas that the responsible entity considers to be significant risks associated with an investment in the Fund.

As with any investment, an investment in the Fund involves an element of risk. The Fund is subject to risk factors, both specific to the business activities and objectives, and risks of a general nature.

When a Unitholder invests money in the Fund, they are investing in one or more asset classes. At any time, a number of events may influence the value or performance of these asset classes.

The responsible entity applies carefully considered investment guidelines to reduce the risks associated with the Authorised Investments. But before deciding to invest in the Fund, potential Unitholders should consider whether investing in the Fund is suitable in light of the relevant risks, both general and specific, and having regard to their own investment objectives and financial circumstances.

It is not possible to identify every risk associated with investing in the Fund. However, the following summary of risks is a guide to the material risks associated with the Fund or its assets. These factors and others not specifically referred to may materially affect the profitability of the Fund and the value of the Units. Similarly, actual events and results could differ significantly from those anticipated in this Information Memorandum.

12.2 General Economic Conditions

Investment returns are influenced by the performance of the economy as a whole. The Fund's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates, debt and bond market movements or market movement of similar trusts on other exchanges. Domestic and international economic political activity or market sentiment and government fiscal, monetary and regulatory policies may also affect the Fund's performance.

No guarantee can be made that the Fund's financial performance will not be adversely affected by any such market fluctuations or factors. Neither the responsible entity, the Custodian, any person associated with the application for listing on NSX, or NSX can guarantee the future performance of the Fund or the trading price of Units in the Fund.

12.3 Ability To Trade

The listing of the Units in the Fund will allow existing Unitholders an ability to exit their Unitholding by selling their Units on NSX. There is no guarantee, however, that Unitholders will receive their desired price for their Units.

Once the Units are quoted on the NSX there will be an unrestricted public market for the Units. The Unit price may rise or fall and Units may trade at prices below or above their subscription price. In particular, it is likely that given recent events, Unitholders will not realise their initial investment in the Fund.

The trading of trust units on stock exchanges are influenced by a number of factors many of which are unrelated to the market value of the underlying assets of the relevant trust.

Even after listing and quotation occurs, it is possible that an active market for trading of the Units will not immediately develop.

12.4 No Cash Payments

While in the past Unitholders in the Fund have invested on the basis that cash payments will be made to Unitholders at various rates, in the current circumstances the responsible entity anticipates being in a position to pay 3 cents per Unit by way of a cash payment by 24 December 2008.

12.5 Net Tangible Asset Value

Although approximately 755 million units are on issue in the Fund, for which listing has been sought, there is an expectation that the underlying value of the assets held by the Fund is 45 cents per Unit (plus any recovery from MFS) assuming the Fund remains a going concern. In the Fund's interim report for the half year ended 31 December 2007, the auditors indicated material uncertainty in relation to the recoverability of the Fund's credit and equity exposure to MFS related entities. Additionally prevailing market conditions may mean that it is not possible to realise assets at the estimated values. The underlying asset value would be less than 45 cents per Unit in these circumstances.

12.6 No Redemptions

Recent events faced by MFS, which is currently suspended from ASX, resulted in a significant increase in the number of Unitholders in the Fund seeking to redeem their funds.

While the Constitution of the Fund currently technically allows for redemptions, the responsible entity has suspended payment on all and any valid withdrawal requests in regard to Units in the Fund for a 360 day period as permitted under the Constitution and is seeking to amend the Constitution to remove Unitholders rights of redemptions as it will be listed on NSX.

12.7 Gearing

The responsible entity, in its capacity as responsible entity of the Fund, has the capacity to borrow money using the assets of the Fund as security. In the event of default of obligations under the facility, financiers have priority over Fund Unitholders for the amount owing to the facility provider. The balance of the Fund's facility being \$20 million was refinanced for 90 days on 1 August 2008. Gearing increases the potential gains and losses from investments compared to the returns on a corresponding ungeared investment.

12.8 Debt Levels

In the event the responsible entity is unable to address the imperatives around its borrowing arrangements, there is a risk that the Fund will not be able to continue to operate as a going concern.

12.9 Responsible Entity and Management

The continued operation of the Fund will depend on the skills and expertise of the management of the responsible entity in addressing the significant issues faced by the Fund in the current environment, as well as identifying, implementing and managing the investments of the Fund.

12.10 Liquidity of underlying assets of the Fund

Liquidity refers to the level of ease with which an asset can be bought and sold in the market place. If it is easy to sell a particular product, then the market is 'liquid', and if it is hard to sell it is 'illiquid'. The underlying security of the Fund's loans is predominantly mortgages secured over assets. Because of this, there is a risk that delays in realising these assets when required will and may continue to significantly impact on the Fund's ability to operate.

The Constitution currently allows for redemptions of Units. In recent months an abnormally high number of Unitholders applied to withdraw their money from the Fund. The Fund did not have enough liquid resources to meet all requests at that time and accordingly distribution payments have been ceased indefinitely and redemptions have also been suspended. An amendment to the constitution is currently being sought to remove Unitholders rights of redemption as it will be listed on NSX.

12.11 Income

A decline in interest rates may reduce the income that the Fund is able to earn on its investments.

12.12 Asset Sectors

Different asset sectors perform differently over time. Investments that have provided more stable returns are considered less risky – but they may not provide sufficient long-term returns for Unitholders to achieve their long-term goals. High exposure to one particular asset class may have a material financial impact on the Fund.

12.13 Historical Arrangements with MFS

Investigations undertaken by the responsible entity have indicated that arrangements have been entered into by the Fund with MFS or related parties which may result in the Fund not having expected priority on loans made by it. Funds due to the Fund under the MFS Support Facility are also at risk. The Fund's past involvement with MFS may continue to have a negative impact on market perception and may limit its ability to recover from recent events.

12.14 Default and credit

Commercial loans and asset backed investments are at risk of default, which may happen when the borrower or counterparty fails to pay the interest, principal or meet other obligations when due. Generally, loans for development or construction carry a greater risk because of pressures like timing and completion of the development or construction program. A large proportion of the assets of the Fund are dependent on the completion of development and construction programs.

12.15 Subsequent Mortgage Lending

In some loan transactions a related party of the responsible entity may have lent additional funds to the borrower and hold a second mortgage over security property.

In some cases the Fund may not have had legal priority and accordingly the Fund may not ultimately recover all funds advanced.

12.16 Legal Risks

Adverse consequences for the Fund can occur because of amendments to statutes and regulations affecting them. Taxation analysis is based on current tax law and its interpretation. The law may be changed during the term of the Fund or new decisions or determinations may alter the way the law is generally interpreted.

12.17 Litigation

On 24 June 2008, the responsible entity instigated legal proceedings against MFS and its associates for the repayment of \$147.5 million. In the event further litigation is commenced, the Fund would be required to take steps to protect its position in regard to matters the subject of litigation. There is a likelihood that significant costs may be incurred in regard to any litigation. All costs of litigation are costs to be borne by the Fund.

The extent or likelihood of any future claims cannot be ascertained at this time, but costly litigation or disputes may adversely affect the profitability of the Fund, the value of its investments, or the price of Units in the Fund.

12.18 Insurance Risk

While the responsible entity has arranged insurance for the normal risks associated with ownership of the assets, there is no certainty that such insurance will continue to be available or that premiums will not rise and this may affect any forecast income from the assets. In the event of re-insurance there is no certainty that the responsible entity will be able to obtain adequate insurance at an appropriate price.

12.19 Taxation

A change to the current taxation regime in Australia or overseas may affect the Fund and its Unitholders. Personal tax liabilities are the responsibility of each individual Unitholder. The responsible entity is not responsible either for taxation or penalties incurred by Unitholders. For further information on taxation implications see Section 9.

12.20 Competition

The Fund operates in the financial services industry which is intensely competitive. The responsible entity may face challenges in competing successfully against its current or future competitors on a number of factors including price, reputation, innovation and quality of service. Some of the responsible entity's competitors have advantages over the responsible entity in economies of scale, more capital, a greater range of products and services and larger investor base.

12.21 Employee Misconduct

The responsible entity is open to the risk that employee misconduct may occur. Whilst the responsible entity believes that it has proper processes in place for preventing employee misconduct, it could still occur through the misuse or disclosure of confidential information or a blatant ignorance of those processes and practices resulting in regulatory sanctions, serious reputational or financial distress to the responsible entity and the Fund.

12.22 Operational risks

Whilst the responsible entity believes it has adequate internal processes, people and systems in place to protect its business operations, the responsible entity may be exposed to process error, fraud or system failure in the way of security or physical protection of systems. Such exposure may have an affect on the Fund's financial performance as well as its reputation.

12.23 Adverse publicity or loss of reputation

The responsible entity's business relies to a large extent on the relationships with its Unitholders and its reputation for integrity and the provision of professional service. It may be damaging to the responsible entity and the Fund if a Unitholder is not satisfied with the services provided by the responsible entity or the responsible entity itself becomes involved in litigation in relation to a transaction in which it has been involved. As well as a loss of reputation and goodwill, the responsible entity may also incur significant legal costs in defending its position in such cases.

13. MATERIAL DOCUMENTS

13.1 Documents Available for Inspection

Copies of the following documents are available for inspection during normal office hours at the office of the responsible entity:

- ♦ the documents summarised in this section.
- ♦ the consents to the issue of the Information Memorandum.

13.2 Fund Constitution

The Constitution is the primary document which establishes the Fund. The responsibilities of the responsible entity, together with all duties, obligations and rights pertaining to the Fund, are set out in the Constitution. A summary of the main provisions of the Constitution is set out below. Changes are proposed at a general meeting scheduled for 18 September 2008. The proposed changes will be set out in the notice of meeting and explanatory memorandum.

Rights of Unitholders to Withdraw from Fund

Unitholders have rights to withdraw from the Fund in certain circumstances.

A Unitholder must, not less than 30 days before the end of the investment term corresponding to their class of Unit, give to the responsible entity a withdrawal request in relation to the whole of their Unitholding in the Fund.

The responsible entity, when receiving a valid withdrawal request, must redeem a Unitholder's Units within 180 days of receiving the request. However, in certain circumstances, the responsible entity may extend the redemption period to 360 days. These circumstances include:

- ♦ where the schemes' cash reserves have fallen and remain below 5% for 10 consecutive business days; or
- ♦ if in any period of 90 days, the responsible entity receives valid net withdrawal requests equal to 10% or more of the scheme's issued units and, during the period of ten consecutive days falling within a 90 day period, the scheme's cash reserves are less than 10% of the total assets; or
- ♦ the responsible entity is not satisfied that sufficient cash reserves are available to pay the redemption price on the appropriate date together with actual and contingent liabilities of the scheme; or
- ♦ any other event or circumstances arise where the responsible entity considers it in its absolute discretion may be detrimental to the interests of the Unitholders of the Fund.

The responsible entity may suspend the redemption of Units for such period as it determines in circumstances including:

- ♦ an emergency or other state of affairs;
- ♦ where the responsible entity considers it to be in the best interests of Unitholders to suspend redemptions;
- ♦ the declaration of a moratorium in a country where the Fund has investments ; or
- ♦ the realisation of investments of the Fund not being able to be effected at prices which would be realised if investments were realised in an orderly fashion over a reasonable period in a stable market.

A suspension must generally not exceed 30 days unless circumstances exist that the responsible entity considers it is in the best interest of Unitholders for the suspension to continue.

Automatic Rollover at expiration of investment term

Where Units are not redeemed prior to the expiration of an investment term corresponding to the Units, the Units will be subject to an extended investment term corresponding to the same period as the initial investment period.

Transfer and transmission of securities

Instrument of transfer

Subject to the Constitution, a Unitholder may transfer all or any of the Unitholder's securities:

- ◆ in any manner required or permitted by the ASX or NSX Listing Rules or the ASTC Settlement Rules applying in relation to any computerised or electronic system established or recognised by the ASX or NSX Listing Rules or the Corporations Act for the purpose of facilitating dealings in securities, including a transfer that may be effected pursuant to the ASTC Settlement Rules or other electronic transfer process; and
- ◆ by any instrument in writing in any usual or common form or in any other form that the board approves.

Registration procedure

Where an instrument of transfer is to be used by a Unitholder to transfer securities the following provisions apply:

- ◆ it must be executed by or on behalf of both the transferor and the transferee unless it is a sufficient transfer of marketable securities within the meaning of the Law;
- ◆ the instrument of transfer must be left for registration at the registry of the responsible entity, accompanied by the certificate for the securities to which it relates (if any) and such information as the board properly requires to show the right of the transferor to make the transfer, and in that event, the responsible entity must, subject to the powers vested in the board by the Constitution, register the transferee as a Unitholder;
- ◆ the responsible entity must register all registrable transfer forms, split certificates, renunciations and transfers, issue certificates and transmission receipts and mark or note transfer forms without charge except in the case the responsible entity issues a certificate for securities where the issue of a certificate is to replace a lost or destroyed certificate;
- ◆ on registration of a transfer of securities, the responsible entity must cancel the old certificate (if any).

Completion of registration

Except in the case of a proper SCH transfer, a transferor of securities remains the holder of the securities transferred until the transfer (if any) is registered and the name of the transferee is entered in the Register in respect of the securities. The right to any distributions declared on any Units subject to a transfer will be determined by reference to the record date for the purposes of that distribution and the date of registration of the transfer.

The responsible entity must comply with such obligations as may be imposed on it by the Listing Rules and ASTC Settlement Rules in connection with any transfer of securities.

Right to refuse registration

Notwithstanding any other provisions contained in the Constitution, the responsible entity may in the board's absolute discretion and without assigning any reason therefore, refuse to register or prevent or interfere with the registration of a transfer of securities in the Fund while it is not admitted to the Official List of ASX or NSX and when it is admitted to the Official List of ASX or NSX the responsible entity may only refuse to register or prevent or interfere with the registration of a transfer of securities in the Fund where permitted or required by any of the ASX or NSX Listing Rules or ASTC Settlement Rules.

Transmission by death

The trustee, executor or administrator of a deceased Unitholder (who is not one of several joint holders) is the only person recognised by the responsible entity as having any title to securities registered in the name of the deceased Unitholder provided that the board may, subject to compliance by the transferee with the Constitution, register any transfer signed by a Unitholder prior to the Unitholder's death notwithstanding that the responsible entity has notice of the Unitholder's death.

Transmission by operation of law

A person ('transmittee') who establishes to the satisfaction of the board that the right to any securities has devolved on the transmittee by will or by operation of law may be registered as a Unitholder in respect of the securities or may (subject to the provisions in the Constitution relating to transfers) transfer the securities provided that the board has the same right to refuse to register the transmittee as if the transmittee was the transferee named in an ordinary transfer presented for registration.

Issue of Statements

While the Fund is admitted to the Official List of ASX or NSX, the board may determine not to issue a certificate for any security, if that determination is not contrary to the Corporations Act or the Listing Rules or the ASTC Settlement Rules.

Statements

Each Unitholder has the right to receive such statements of the holdings of the Unitholder as are required to be distributed to a Unitholder under the Corporations Act and the Corporations Regulations, the ASX and NSX Listing Rules or the ASTC Settlement Rules.

Restricted securities

Restricted securities may not be disposed of during the escrow period except as permitted by the ASX and NSX listing rules.

Distribution of Distribution Entitlement

Calculating the entitlement

After each distribution calculation date the responsible entity must calculate for the relevant distribution person each Unitholder's distribution entitlement.

Determining who has the entitlement

At the end of each distribution period each Unitholder at the end of the day on the distribution calculation date is presently entitled to its distribution entitlement.

Payment of entitlement to a person entitled to it

For each distribution person the responsible entity must pay to each distribution recipient its distribution entitlement on or before that date being 10 days after the distribution calculation date.

Calculation of Distribution Entitlement

Calculation of distributable amount

The 'distributable amount' for a distribution period is to be determined in accordance with the following formula:

$$DA = I + C$$

Where:

- DA is the amount of distributable amount;
- I is the income of the Fund for the distribution period minus any amount of the Income that is set aside during the distribution period as reserves or provisions under the constitution; and
- C is any additional amount (including capital, previous reserves or previous provisions) that the responsible entity has determined during the distribution period is to be distributed.

Calculation of distributable entitlement

The distributable entitlement of each distribution recipient is the total of the Unit entitlement in relation to each Unit held by the distribution recipient at the end of the day on the distribution calculation date, as determined in accordance with the distribution calculation formula.

Calculation of Unit entitlement

The Unit entitlement in relation to a Unit is to be determined in accordance with the following formula:

$$UE = DA \times \frac{UD}{TUD}$$

Where:

UE is the Unit entitlement

DA is the distributable amount

UD is the Unit days for that Unit for the distribution period

TUD is the sum of the Unit days for all Units for the distribution period

Calculation of Unit days

For the purposes of the calculation of Unit entitlement, the Unit days for a Unit for the distribution period is the number of days during the distribution period for which the Unit has an income entitlement according to its terms of issue, multiplied by the paid-up proportion for that Unit as calculated at the end of the day on the distribution calculation date.

Deduction of tax

The responsible entity may deduct from any amount payable or distributable to a Unitholder, or received from a Unitholder, any amount of taxes (or estimate or instalment of it), which it is required or authorised to deduct in respect of that payment or receipt by law, or by the Constitution or which the responsible entity considers should be deducted. Without limiting the generality of this, this could include, any amount of tax which may be payable on, or in respect of, the issue of Units to, or cancellation of Units of, or distributions to, that Unitholder.

Investment

It is the role of the responsible entity to seek and invest the funds of the Fund in Authorised Investments. Subject to any exceptions contained in the Corporations Act or any ASIC relief (including any ASIC class orders) the responsible entity may only invest or keep the Fund property in another managed investment scheme or prescribed interest scheme if that other scheme is registered under the Corporations Act.

Liability of responsible entity

In the absence of fraud, negligence or breach of the Constitution or as otherwise provided under the Corporations Act on the part of the responsible entity, the responsible entity is not liable to one or more of the Unitholders or the Fund, for any amount beyond the amount to which it is entitled to recover and is actually indemnified for, through its right of indemnity in respect of the Fund.

Meeting of Unitholders

The responsible entity may whenever it thinks fit convene a meeting of Unitholders.

Not less than 21 days notice of a general meeting, or such other period prescribed by the Corporations Act, may be given by the board in the form and in the manner the board thinks fit including notice of any general meeting at which the board proposes or the Constitution requires an election of directors be held. Notice of meetings shall be given to the Unitholders, the directors, any stock exchange which the Fund is a member, and to such persons as are entitled to receive notice under the Constitution, the Corporations Act or the ASX or NSX Listing Rules. The non-receipt of a notice of any general meeting by, or the accidental omission to give notice to, any person entitled to notice does not invalidate any resolution passed at that meeting.

General conduct of the meeting

Except as provided by the Corporations Act, the general conduct of each general meeting of the responsible entity and the procedures to be adopted at the meeting are as determined by the Chairman. The Chairman may at any time the Chairman considers it necessary or desirable, for the proper and orderly conduct of the meeting demand the cessation of debate or discussion on any business, question, motion or resolution being considered by the meeting and require the business, question, motion or resolution to be put to a vote of the Unitholders present. The Chairman may require the adoption of any procedure which is in the Chairman's opinion necessary or desirable for the proper and orderly casting or recording of votes at any general meeting of the responsible entity, whether on a show of hands or on a poll.

Business of general meetings

The business of an annual general meeting is to receive and consider the financial and any other reports required by the Corporations Act to be laid before each annual general meeting, to elect directors in the place of those retiring under the Constitution, when relevant to appoint an auditor, and to transact any other business which, under the Constitution, is required to be transacted at any annual general meeting. All other business transacted at an annual general meeting and all business transacted at other general meetings is deemed to be special. Except with the approval of the board, with the permission of the Chairman or pursuant to the Corporations Act, no person may move at any meeting either:

- ♦ in regard to any special business of which notice has been given, any resolution or any amendment of a resolution; or
- ♦ any other resolution which does not constitute part of special business of which notice has been given.

Quorum

Two Unitholders present constitute a quorum.

Voting

Each question submitted to a general meeting is to be decided in the first instance by a show of hands of the Unitholders present and entitled to vote. In the case of an equality of votes, the Chairman, both on a show of hands and at a poll, has no casting vote in addition to the vote or votes to which the Chairman may be entitled as a Unitholder or as a proxy, attorney or duly appointed representative of a Unitholder.

On a show of hands, where the Chairman has two or more appointments that specify different ways to vote on a resolution, the Chairman must not vote as a proxy.

Declaration of vote on a show of hands; when poll demanded

At any meeting, unless a poll is demanded, a declaration by the Chairman that a resolution has been passed or lost, having regard to the majority required, and an entry to that effect in the book to be kept of the proceedings of the responsible entity signed by the Chairman of that or the next succeeding meeting, is conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against the resolution. A poll may be demanded:

- ♦ before a vote is taken;
- ♦ before the voting results on a show of hands are declared; or
- ♦ immediately after the voting results on a show of hands are declared.

A poll may be demanded by:

- ♦ the Chairman;
- ♦ at least 5 Unitholders present entitled to vote on the resolution;
- ♦ by a Unitholder or Unitholders present with at least 5% of the votes

that may be cast on the resolution on a poll.

No poll may be demanded on the election of a Chairman of a meeting.

Taking a poll

If a poll is demanded, it is to be taken in the manner and at the time and place as the Chairman directs, and the result of the poll is deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn. In the case of any dispute as to the admission or rejection of a vote, the Chairman's determination in respect of the dispute made in good faith is final.

Continuation of business

A demand for a poll does not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded. A poll demanded on any question of adjournment is to be taken at the meeting immediately and without adjournment.

Special meetings

All the provisions of the Constitution as to general meetings apply to any special meeting of any class of Unitholders which may be held pursuant to the operation of the Constitution or the Corporations Act.

Votes of Unitholders

Subject to the restrictions on voting from time to time affecting any class of Units:

- ◆ on a show of hands, each Unitholder present has one vote;
- ◆ where a Unitholder has appointed two persons as proxies for that Unitholder, neither proxy may vote on a show of hands;
- ◆ where a person is entitled to vote in more than one capacity, that person is entitled only to one vote on a show of hands;
- ◆ if the person appointed as proxy has two or more appointments that specify different ways to vote on a resolution, the proxy must not vote on a show of hands; and
- ◆ on a poll, each Unitholder present:
 - has one vote for each fully paid Unit held; and
 - has for each Unit which is not fully paid a fraction of a vote equivalent to the proportion which the amount paid up or credited as paid up on that Unit (but excluding any amount paid in advance of a call) bears to the total of the amounts paid up or credited as paid up on that Unit.

Voting rights of personal representative

Any person entitled to transfer any Units as a result of transmission by death or by operation of law may vote at a general meeting in the same manner as if the person were the registered holder of the Units provided that at least 48 hours before the time of holding the meeting at which the person proposes to vote the person has satisfied the board of the person's right to transfer the Units, unless the board has previously admitted the person's right to vote at the meeting in respect of the Units.

Appointment of proxies

Any Unitholder entitled to vote at a general meeting may appoint a proxy. Any Unitholder who is entitled to cast two or more votes at a general meeting may appoint not more than two proxies to vote at a general meeting on that Unitholder's behalf and may, but need not, direct the proxy or proxies how to vote in relation to each or any resolution.

The responsible entity must record in the minutes of a general meeting, in respect of each resolution in the notice of meeting, the total number of proxy votes exercisable by all proxies validly appointed and:

- ◆ if the resolution is decided on a show of hands - the total number of proxy votes in respect of which the appointment specified that:
 - the proxy is to vote for the resolution;

- the proxy is to vote against the resolution;
 - the proxy is to abstain on the resolution;
 - the proxy is to vote at the proxy's discretion.
- ♦ if the resolution is decided on a poll - the total number of votes cast on the poll:
- in favour of the resolution;
 - against the resolution;
 - abstaining on the resolution.

A proxy need not be a Unitholder in the Fund.

Where a Unitholder appoints two proxies and each proxy is not appointed to represent a specified proportion of the Unitholder's voting rights, then each proxy may exercise half of the Unitholder's voting rights.

The instrument appointing a proxy (and the power of attorney, if any, under which it is signed or proof of the power of attorney to the satisfaction of the board) must be deposited duly stamped (if necessary) at the office of the responsible entity, faxed to the office or deposited, faxed or sent by electronic mail to any other place specified in the notice of meeting at least 48 hours (or a lesser period as the board may determine and stipulate in the notice of meeting) before the time for holding the meeting or adjourned meeting or poll at which the person named in the instrument proposes to vote.

No instrument appointing a proxy is, except as provided in the Constitution, valid after the expiration of 12 months after the date of its execution. Any Unitholder may deposit at the office of the responsible entity an instrument duly stamped (if necessary) appointing a proxy and the appointment is valid for all or any stipulated meetings of the responsible entity.

Voting by corporation

Any corporation, being a Unitholder and entitled to vote, may by resolution of its directors or other governing body or by an instrument of proxy authorise any person, though not a Unitholder of the Fund, or any person occupying a particular office from time to time, to act as its representative at meetings, and such representative is, in accordance with their authority and until their authority is revoked by the corporation which they represent, entitled to exercise the same powers on behalf of the corporation which they represent as that corporation could exercise if it were a natural person who was a Unitholder.

Attorneys of Unitholders

Any Unitholder may, by duly executed power of attorney, appoint an attorney to act on the Unitholder's behalf at all or certain specified meetings of the responsible entity. Before the attorney is entitled to act under the power of attorney, the power of attorney or proof of the power of attorney to the satisfaction of the board must be produced for inspection at the office of the responsible entity or any other place the board may determine from time to time together, in each case, with evidence of the due execution of the power of attorney as required by the board. The attorney may be authorised to appoint a proxy for the Unitholder granting the power of attorney.

Rights of Unitholder indebted to responsible entity in respect of other Units

Subject to any restrictions from time to time affecting the right of any Unitholder or class of Unitholders to attend any meeting, a Unitholder holding a Unit in respect of which for the time being no call is due and payable to the responsible entity is entitled to be present at any general meeting and to vote and be reckoned in a quorum notwithstanding that any call is then due and payable to the responsible entity by the Unitholder in respect of any other Unit held by the Unitholder provided that, upon a poll, a Unitholder is only entitled to vote in respect of Units held by the Unitholder upon which, at the time when the poll is taken, no call is due and payable to the responsible entity.

Remuneration of responsible entity

At the end of each month, and subject to the payment of all:

- ◆ currently payable and valid withdrawal requests at the redemption price of \$1.00 per Unit;
- ◆ distributions due to Unitholders as disclosed in the current disclosure document for the Fund; and
- ◆ currently payable expenses of the Fund;

the responsible entity is entitled to charge as a management fee all remaining surplus generated by the Fund during the previous month.

Insurance

The responsible entity will ensure that such insurances as it considers appropriate are effected in the name of the responsible entity for and on behalf of the Fund.

The responsible entity must ensure that at all times professional indemnity insurance required as a condition of the responsible entity's AFSL is effected and maintained in the name of the responsible entity with a respectable and responsible insurance company.

The members of the compliance committee may request the responsible entity to pay for them from the Fund property for such insurance that they and the responsible entity together consider appropriate against liability arising from their activities as members of the compliance committee of the Fund.

The responsible entity must at least once each year review all insurances and may make any amendments, alterations or additions thereto or change the insurer where it considers it is in the best interest of the Fund and Unitholders to do so.

Winding up of Fund

The responsible entity must not resolve to wind up the Fund unless the responsible entity has complied with the provisions of section 601NC(2) of the Corporations Act.

Termination Event

Upon the happening of one of the following events ('Termination Event'), the Fund shall be wound up:

- ◆ the Unitholders by special resolution, direct the responsible entity to wind up the Fund;
- ◆ the Court makes an order directing the responsible entity to wind up the Scheme pursuant to section 601ND of the Corporations Act;
- ◆ the Unitholders pass an extraordinary resolution to remove the responsible entity and do not appoint a new responsible entity;
- ◆ the responsible entity gives at least three months notice of termination of the Fund to Unitholders;
- ◆ the responsible entity gives notice under Section 601NC(2) of the Corporations Act and no meeting of Unitholders is called pursuant to section 601NC(2)(b).

13.3 Compliance Plan

The Compliance Plan sets out the processes the responsible entity applies to ensure that the operations of the Fund are conducted in accordance with the Australian Financial Services Licence, the Constitution, the Corporations Act and other applicable legislation. The Compliance Plan is independently audited.

The Compliance Plan and the documents controlled through it establishes practices that help the responsible entity manage risk management, record keeping, accounting and audit functions, lending policies, complaints handling and other aspects of the operation of the Fund.

Copies of the Compliance Plan have been lodged with ASIC and are available for inspection at the responsible entity's office during business hours and on the www.newpif.com.au website.

13.4 Custody Agreement

The responsible entity and the Custodian have entered into a Custody Agreement under which the Custodian acts as the custodian in respect of the assets of the Fund.

The Custodian is engaged to hold the assets of the Fund. The Custodian has no independent discretion with respect to holding of assets and is subject to performance standards set out in the Custody Agreement. The Custodian will enter into a Custody Agreement on identical terms in the event the resolution approving Wellington Capital Limited as the new responsible entity is passed.

13.5 Registry Services Agreement

The responsible entity will take responsibility for registry services and will subcontract part of those services to Computershare Investor Services.

The fees payable for the provision of registry services is capped at 0.15% of the net asset backing of the Unitholder contributions in the Fund, which is on the same basis as the previous agreement with Perpetual Nominees Limited.

14. ADDITIONAL INFORMATION

14.1 Consents

Each of the directors of the responsible entity has consented to the lodgement of this Information Memorandum with NSX.

All relevant consents that are required to be obtained by Law, have been obtained.

14.2 Disclosure of Interests

Directors of the responsible entity

Other than as set out below or elsewhere in the Information Memorandum, no director of the responsible entity has an interest in the promotion of the Fund and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any director or proposed director either to induce to become, or to qualify as, a director, or otherwise for services rendered in connection with the promotion of the Fund.

Custodian and Directors of the Custodian

At the date of this Information Memorandum and throughout the preceding two year period neither the Custodian nor any directors of the Custodian has or had any interest in the promotion of or in the Fund other than the remuneration to which it is entitled as Custodian.

14.3 Responsible Entity Fees

Upon the appointment of the current Directors of the responsible entity, Wellington Capital Limited was paid a one off fee of \$750,000 by MFS.

Under the proposed new Constitution the responsible entity will be entitled to further fees for the management of the Fund.

14.4 Continuous disclosure

The Fund is a 'disclosing entity' for the purposes of the Corporations Act. It is subject to regular reporting and disclosure obligations under the Corporations Act and the NSX Listing Rules. These obligations require the responsible entity to notify ASIC and the NSX of information about specified events and matters as they arise for the purposes of the National Stock Exchange of Australia making that information publicly available. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

14.5 Auditor

The auditor of the Fund is PriceWaterhouseCoopers.

14.6 Principal activity

The Fund's principal activity has remained unchanged since inception.

14.7 Name Changes

The Fund

Date	Details of Name Change
October 2000	MFS Capital Insured Income Fund changed its name from MFS Master Mortgage Trust
November 2003	MFS Premium Income Fund changed its name from MFS Capital Insured Income Fund
March 2008	Octaviar Premium Income Fund changed its name from MFS Premium Income Fund

June 2008	The Premium Income Fund changed its name from Octaviar Premium Income Fund
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The responsible entity

Date	Details of Name Change
September 2004	McLaughlins Financial Services Limited ACN 088 647 796 retired as responsible entity and MFS Investment Management Limited ACN 101 634 146 was appointed responsible entity of the Fund
March 2008	Octaviar Investment Management Limited changed its name from MFS Investment Management Limited
June 2008	Wellington Investment Management Limited changed its name from Octaviar Investment Management Limited

Wellington Investment Management Limited ACN 101 634 146 ('Wellington Investment Management') is the responsible entity of the Fund and holds Australian Financial Services Licence No 246 553.

Wellington Investment Management Limited has no child entities.

14.8 Termination of Services Agreement

Wellington Investment Management Limited and Octaviar Administration Pty Ltd ACN 101 069 390 were parties to a Services Agreement whereby Octaviar Administration Pty Ltd agreed to provide administration services in relation to the conduct of the Funds business which commenced on 5 January 2006.

Previously MFS was responsible for all of the expenses of the Premium Income Fund that the responsible entity was unable to recover from the Premium Income Fund itself. An amount of \$3 million was put aside on 5 May 2008 to cover certain Fund costs for the four months to 31 August 2008. These funds have been utilised by Wellington Investment Management Limited as responsible entity to pay for certain relevant costs of operating the Premium Income Fund.

The contractual arrangement between Wellington Investment Management Limited and MFS and Octaviar Administration Limited whereby MFS provided the staff and infrastructure necessary to operate the Premium Income Fund was terminated on 4 July 2008. Wellington Investment Management Limited determined it was desirable for all staff and infrastructure necessary to operate the Premium Income Fund to be provided directly by the Wellington Capital group.

14.9 Legal Proceedings

The responsible entity has commenced proceedings in the Supreme Court of Queensland against MFS and MFS related entities (Octaviar Limited, Octaviar Administration Pty Ltd and OPI Pacific Finance Limited).

The claim has been filed after detailed consideration was given to the issues by the board of Wellington Investment Management Limited in conjunction with Matthew Walton SC, Barrister at Law. \$147.5 million in compensation is being demanded on behalf of Unitholders.

The claim specifically relates to contraventions of section 601FD of the *Corporations Act* by officers of Octaviar Limited, Octaviar Administration Pty Ltd and OPI Pacific Finance Limited in not carrying out their duties honestly and with care and diligence, in relation to:

- ✿ the investment of Fund money in related party investments;
- ✿ participation in loan agreements with related parties; and
- ✿ compliance with the Australian Financial Services Licence, Constitution and Compliance Plan of the Fund,

to ensure that any activities of the Fund were undertaken in the best interests of the members of the Fund.

This claim is in addition to the \$50 million claimed in relation to the Support Facility with MFS, which continues to be vigorously pursued by Wellington Investment Management Limited, as responsible entity for the Fund.

The responsible entity is in the ordinary course of business involved in legal proceedings from time to time. Other than set out above, the responsible entity is not involved in any major litigation issues at this time.

An offer has been made to settle the \$197.5 million sought from MFS. If the cash offer is accepted as proposed the Fund would receive \$44.4 million and have no further claim against MFS under the Support Facility or in relation to the claim commenced on 24 June 2008.

14.10 Unitholder spread

The table below shows the number of Unitholders in each band:

PIN		
Size of Unitholding parcel	No. of Unitholders	Total Units
1 – 1,000	-	-
1,001 – 5,000	203	1,014,916
5,001 – 10,000	1,230	10,035,525
10,001 – 100,000	7,437	286,708,888
100,001 and over	1,517	457,436,213
TOTAL	10,387	755,195,542

14.11 Complaints

The Constitution establishes a procedure for the directors of the responsible entity to receive, consider, investigate and respond to complaints by Unitholders dissatisfied with the management or administration of the Fund.

Complaints should be addressed to:

The Complaints Handling Officer
Wellington – Premium Income Fund
GPO Box 694
BRISBANE QLD 4000
Toll Free: 1300 854 885

Both Wellington Investment Management Limited and Wellington Capital Limited are members of the Financial Ombudsman Service, an external complaints resolution service which has been approved by ASIC. The Financial Ombudsman Service can be contacted on 1300 780 808.

14.12 NSX Waivers

In connection with the proposal for the listing of the Units in the Fund, and the quotation of the Units on the NSX, the responsible entity, on behalf of the Fund may require waivers of the Listing Rules from NSX, in addition to the other requirements for listing and quotation that must be satisfied.

The responsible entity has had discussions of a preliminary nature with NSX about this matter. The granting of these waivers is at the absolute discretion of NSX and, if given, may be subject to conditions.

You should peruse the NSX Register relating to the Fund or contact the responsible entity to provide you with a copy of any waivers that may be sought and granted.

14.13 Privacy

When a Unitholder applies to invest, the responsible entity collects personal information about that Unitholder. The responsible entity's privacy policy is available on www.newpif.com.au or alternatively you can contact the responsible entity's investor services personnel to request a copy free of charge. This will enable each Unitholder to understand their rights, the responsible entity's obligations and what the responsible entity does with this personal information and any other information it collects about a Unitholder during the course of the Investment.

15. STATEMENT BY DIRECTORS

Each Director of the responsible entity has consented to the lodgement of this Information Memorandum with NSX Limited.

Signed for and on behalf of the responsible entity by each member of the board.

Jennifer Hutson

Robert Pitt

Craig Wallace