

# FORM: Half yearly/~~preliminary~~ final report

Name of *issuer*

**PREMIUM INCOME FUND**

ACN or ARSN

090 687 577

Half yearly  
(tick)

X

Preliminary  
final (tick)

Half year/~~financial~~ year ended  
(*'Current period'*)

31 December 2008

## For announcement to the market

Extracts from this statement for announcement to the market (*see note 1*).

Extracts from this statement for announcement to the market (see note 1).

					\$A,000
Revenue (item 1.1)	up/down	%	to	2,247	Loss
Profit (loss) for the period (item 1.9)	up/down	%	to	6,486	Loss
Profit (loss) for the period attributable to security holders (item 1.11)	up/down	%	to	6,486	Loss
<b>Income Distributions</b>	Current period		Previous corresponding period		
	Nil		\$000's - \$40,083 cpu – 4.9		
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:  Nil					

**Consolidated income statement** *(The figures are not equity accounted)**(see note 3)**(In accordance with paragraphs 81-85 and 88-94 of AASB 101: Presentation of Financial Statements)*

	Current period - \$A'000 (31 December 2008)	Previous corresponding period - \$A'000 (31 December 2007)
1.1 Revenues <i>(item 7.1)</i>	(2,247)	27,254
1.2 Expenses, excluding finance costs <i>(item 7.2)</i>	(2,293)	(2,251)
1.3 Finance costs	(1,946)	(1,364)
1.4 Share of net profits (losses) of associates and joint ventures <i>(item 15.7)</i>	-	-
1.5 <b>Profit (loss) before income tax</b>	(6,486)	23,639
1.6 Income tax expense <i>(see note 4)</i>	-	-
1.7 Profit (loss) from continuing operations	-	-
1.8 Profit (loss) from discontinued operations <i>(item 13.3)</i>	-	-
1.9 <b>Profit (loss) attributable to security holders for the period</b>	(6,486)	23,639
1.10 Basic earnings per <i>security</i> <i>(item 9.1)</i>	Loss 0.09 cpu	2.9 cpu
1.11 Diluted earnings per <i>security</i> <i>(item 9.1)</i>	Loss 0.09 cpu	2.9 cpu
1.12 Distribution per <i>security</i> <i>(item 9.1)</i>	Nil	4.9 cpu

**Comparison of half-year profits***(Preliminary final statement only)*

	Current period - \$A'000 (31 December 2008)	Previous corresponding period - \$A'000 (31 December 2007)
2.1 Consolidated profit (loss) after tax attributable to security holders reported for the 1st half year <i>(item 1.11 in the half yearly statement)</i>	(6,486)	23,639
2.2 Consolidated profit (loss) after tax attributable to security holders for the 2nd half year		(402,922)

## Consolidated balance sheet

(See note 5)

(as per paragraphs 68-69 of AASB 101: Financial Statement Presentation)

<b>Assets</b>		Current period - \$A'000 (31 December 2008)	Previous corresponding period - \$A'000 (30 June 2008)
3.1	Cash and cash equivalents	1,244	1,259
3.2	Other financial assets	84,775	96,655
3.3	Trade and other receivables	151	693
3.4	Financial assets held at fair value through profit or loss	16,718	21,122
3.5	Mortgage loans	236,366	275,994
3.6	Other assets	360	-
3.7	<b>Total assets</b>	<b>339,614</b>	<b>395,723</b>
<b>Liabilities</b>			
3.8	Trade and other payables	4,688	4,941
3.9	Borrowings	5,705	55,000
3.10	Other	-	-
		10,393	59,941
3.11	Net assets attributable to unit holders	-	335,782
3.12	<b>Total liabilities</b>	<b>10,393</b>	<b>395,723</b>
3.13	<b>Net assets</b>	<b>329,221</b>	<b>-</b>
<b>Equity</b>			
3.14	Share capital/issued units	755,073	-
3.15	Other reserves	-	-
3.16	Retained earnings	(425,852)	-
3.17	<b>Total equity</b>	<b>329,221</b>	<b>-</b>

On 25 October 2008 unit holders resolved to modify the Constitution to enable listing on the National Stock Exchange. Accordingly unit holders equity has been reclassified in the Balance Sheet as equity rather than as a liability. This reclassification is in accordance with AACB 132: *Financial Instruments: Disclosure and Presentation*.

## Consolidated statement of changes in equity

(as per paragraphs 96-97 of AASB 101: Presentation of Financial Statements)

	Current period – A\$'000	Previous corresponding period – A\$'000
Revenues recognised directly in equity:	-	-
Expenses recognised directly in equity:	-	-
4.1 Net income recognised directly in equity	-	
4.2 Profit for the period	(6,486)	(379,283)
4.3 Total recognised income and expense for the period	(6,486)	(379,283)
4.4 Effect of changes in accounting policy (as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors):	-	-

# Consolidated statement of cash flows

(See note 6)

(as per AASB 107: Cash Flow Statements)

	Current period - \$A'000 (31 December 2008)	Previous corresponding period - \$A'000 (31 December 2007)
<b>Cash flows related to operating activities</b>		
5.1 Interest, fees and investment income received	2,761	17,270
5.2 Other cash payments in the course of business	(6,407)	(9,470)
5.5 Other (provide details if material)	-	-
5.6 <b>Net cash used in operating activities</b>	(3,646)	7,800
<b>Cash flows related to investing activities</b>		
5.7 Mortgage loan advances	(11,197)	(145,419)
5.8 Mortgage loan repayments	49,625	83,248
5.9 Payment for purchases of investments in managed investment schemes	-	(98,690)
5.10 Redemptions of investments in managed investment schemes	299	120,767
5.11 Fixed interest securities purchased	-	(9,000)
5.12 Fixed interest securities redeemed	-	-
5.13 Other investments purchased	(1,643)	(234,957)
5.14 Other investments sold	15,916	103,769
5.15 Other (provide details if material)	-	-
5.16 <b>Net cash used in investing activities</b>	53,000	(180,282)
<b>Cash flows related to financing activities</b>		
5.17 Proceeds from issues of securities (shares, options, etc.)	-	101,347
5.18 Payments for redemptions of securities by unitholders	(74)	(210,398)
5.19 Proceeds from borrowings	-	200,000
5.20 Repayment of borrowings	(49,295)	-
5.21 Distributions paid	-	(34,640)
5.22 Other (provide details if material)	-	-
5.23 <b>Net cash used in financing activities</b>	(49,369)	56,309
<b>Net increase (decrease) in cash and cash equivalents</b>	(15)	(116,173)
5.24 Cash at beginning of period (see Reconciliations of cash)	1,259	132,053
5.25 Exchange rate adjustments to item 5.23	-	-
5.26 <b>Cash at end of period</b> (see Reconciliation of cash)	1,244	15,880

## Reconciliation of cash provided by operating activities to profit or loss

(as per paragraph Aus20.1 of AASB 107: Cash Flow Statements)

	Current period \$A'000 (31 December 2008)	Previous corresponding period \$A'000 (31 December 2007)
6.1 <b>Profit</b> <i>(item 1.9)</i>	(6,486)	23,639
Adjustments for:		
6.2 Net unrealised (gain)/loss on financial instruments designated at fair value through profit or loss	3,117	(15,918)
6.3		
6.4		
6.5 (Increase)/decrease in receivables		(416)
6.6 Increase/(decrease) in payables	83	495
6.7 (Increase)/decrease in prepayments	(360)	-
6.8		
6.9		
6.10 <b>Net cash from operating activities</b> <i>(item 5.6)</i>	(3,646)	7,800

## Notes to the financial statements

### Details of revenues and expenses

(see note 16)

(Where items of income and expense are material, disclose nature and amount below in accordance with paragraphs 86-87 of AASB 101: Presentation of Financial Statements)

	Current period - \$A'000	Previous corresponding period - \$A'000
<b>7.1 Revenue:</b>		
Interest income	1,783	38,339
Net realised loss on other financial assets	(2,247)	-
Net unrealised gain/(loss) on financial instruments designated as at fair value through profit or loss	(5,409)	(15,603)
Realised loss on realisation of mortgage loans	(1,303)	-
Impairment of mortgage loans and other financial assets	(9,127)	-
Reduction in impairment provision of mortgage loans and other financial assets	13,622	-
Investment income	-	4,497
Loan and other fees received	434	21
<b>Total Revenue</b>	<b>(2,247)</b>	<b>27,254</b>
<b>7.2 Expenses</b>		
Responsible entity's fees	-	-
Custodian and registry fees	679	675
Fees and commissions paid	7	43
Auditors remuneration	163	12
Finance costs (excluding distributions)	1,946	1,364
Consulting, compliance, accounting and legal fees	1,423	206
Other expenses	21	1,315
<b>Total Expenses</b>	<b>4,239</b>	<b>3,615</b>
<b>Profit (loss) before tax</b>	<b>(6,486)</b>	<b>23,639</b>

<b>Ratios</b>	Current period	Previous corresponding period
<b>8.1 Profit before tax / revenue</b>		
Consolidated profit (loss) before tax (item 1.5) as a percentage of revenue (item 1.1)	na	86.7%
<b>8.2 Profit after tax / equity interests</b>		
Consolidated profit (loss) after tax attributable to security holders (item 1.11) as a percentage of equity (similarly attributable) at the end of the	na	7.0%

## Earnings per Security

- 9.1 Provide details of basic and fully diluted EPS in accordance with paragraph 70 and Aus 70.1 of AASB 133: Earnings per Share below:

	31 Dec 2008	31 Dec 2007
Net profit used in calculating basic and diluted earnings per unit (\$000's)	(6,486)	23,639
The weighted average number of units used in calculating basic earnings per unit (000's)	755,111	815,685
The weighted average number of potential ordinary units included in calculating diluted earnings per unit (000's)	-	-
The weighted average number of ordinary units and potential ordinary units used in calculating diluted earnings per unit (000's)	755,111	815,685

## Income distributions

- 10.1 Date the income distribution is payable

- 10.2 Record date to determine entitlements to the income distribution (i.e. on the basis of registrable transfers received up to 5.00 pm if paper based, or by 'End of Day' if a proper ASTC/CHESS transfer)

- 10.3 The *distribution plans* shown below are in operation.

The last date(s) for receipt of election notices to the *distribution plans*

- 10.4 Any other disclosures in relation to *distributions*



## Distributions paid or provided for on all securities

(as per paragraph Aus126.4 AASB 101: Presentation of Financial Statements)

		Current period - \$A'000	Previous corresponding period - \$A'000	Franking rate applicable
<b>Distributions paid or provided for during the reporting period</b>				
10.5	Current year interim	-	40,083	na
10.6	Previous year final		-	

## Distributions per security

(as per paragraph Aus126.4 of AASB 101: Presentation of Financial Statements)

		Current year	Previous year	Franking rate applicable
<b>Distributions paid or provided for during the reporting period</b>				
10.7	Current year interim	-	4.9 cpu	na
10.8	Previous year final			

## Discontinued Operations

(see note 18)

(as per paragraph 33 of AASB 5: Non-current Assets Held for Sale and Discontinued Operations)

		Current period – A\$'000	Previous corresponding period – A\$'000
13.1	Revenue	-	-
13.2	Expense	-	-
13.3	<b>Profit (loss) from discontinued operations before income tax</b>	-	-
13.4	Income tax expense (as per para 81 (h) of AASB 112)	-	-
13.5	<b>Gain (loss) on sale/disposal of discontinued operations</b>	-	-
13.6	Income tax expense (as per paragraph 81(h) of AASB 112)	-	-

## Movements in Equity

(as per paragraph 97 of AASB 101: Financial Statement Presentation)

	Number issued	Number listed	Paid-up value (cents)	Current period – A\$'000	Previous corresponding period – A\$'000
<b>14.6 Ordinary securities</b>					
<i>Issued units (000's)</i>					
14.7 Balance at start of period	755,147	755,147	100	755,147	880,097
14.8 a) Increases through issues	-	-	-	-	115,044
14.9 b) Decreases through returns of capital, buybacks etc.	(114)	(114)	100	(74)	(239,988)
14.10 Balance at end of period	755,033	755,033	100	755,073	755,147
<b>14.32 Total Securities</b>	<b>755,033</b>	<b>755,033</b>	<b>100</b>	<b>755,073</b>	<b>755,147</b>

	Current period – A\$'000	Previous corresponding period – A\$'000
<b>Reserves</b>		
14.33 Balance at start of period	-	-
14.34 Transfers to/from reserves	-	-
14.35 Total for the period	-	-
14.36 Balance at end of period	-	-
<b>14.37 Total reserves</b>	<b>-</b>	<b>-</b>
<b>Retained earnings</b>		
14.38 Balance at start of period	(419,366)	-
14.39 Changes in accounting policy	-	-
14.40 Restated balance	(419,366)	-
14.41 Profit for the period	(6,486)	(379,283)
14.42 Total for the period	(425,852)	(379,283)
14.43 Distributions	-	(40,083)
<b>14.44 Balance at end of period</b>	<b>(425,852)</b>	<b>(419,366)</b>

**Details of aggregate share of profits (losses) of associates and joint venture entities***(equity method)**(under AASB 128: Investments in Associates paragraph Aus 37.1 and AASB 131: Interests in Joint Ventures paragraph Aus 57.3)*

Name of associate or joint venture entity

na

Reporting entities percentage holding

na

	Current period - \$A'000	Previous corresponding period - \$A'000
15.1 Profit (loss) before income tax	-	-
15.2 Income tax	-	-
15.3 <b>Profit (loss) after tax</b>	-	-
15.4 Impairment losses	-	-
15.5 Reversals of impairment losses	-	-
15.6 Share of non-capital expenditure contracted for (excluding the supply of inventories)	-	-
15.7 <b>Share of net profit (loss) of associates and joint venture entities</b>	-	-

**Control gained over entities having material effect***(See note 8)*16.1 Name of *issuer* (or *group*)

na

16.2 Consolidated profit (loss) after tax of the *issuer* (or *group*) since  
the date in the current period on which control was acquired

\$A'000

-

16.3 Date from which profit (loss) in *item 16.2* has been calculated

-

16.4 Profit (loss) after tax of the *issuer* (or *group*) for the whole of the  
previous corresponding period

-

**Loss of control of entities having material effect***(See note 8)*

17.1 Name of issuer (or group)

na

17.2 Consolidated profit (loss) after tax of the entity (or group) for the current period to the date of loss of control

\$A'000

-

17.3 Date from which the profit (loss) in item 17.2 has been calculated

-

17.4 Consolidated profit (loss) after tax of the entity (or group) while controlled during the whole of the previous corresponding period

-

17.5 Contribution to consolidated profit (loss) from sale of interest leading to loss of control

-

**Material interests in entities which are not controlled entities***The economic entity has an interest (that is material to it) in the following entities.*

		Percentage of ownership interest (ordinary securities, units etc) held at end of period or date of disposal		Contribution to profit (loss) (item 1.9)	
		Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period \$A'000
18.1	<b>Equity accounted associated entities</b>			<i>Equity accounted</i>	
18.2	<b>Total</b>				
18.3	<b>Other material interests</b>			Non equity accounted (i.e. part of item 1.9)	
18.4	<b>Total</b>				

## **Reports for industry and geographical segments**

The Fund operates solely in the business segment of investment management within Australia. All directly held assets are predominantly Australian but some of these assets may hold overseas assets. The fund also invests in certain securities which are listed both on the Australian and international stock exchanges.

**NTA Backing***(see note 7)*

20.1	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.44	\$0.45

**Non-cash financing and investing activities**

21.1	Nil
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**International Financial Reporting Standards**

22.1	na
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22.2	na
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## Comments by *directors*

### Basis of accounts preparation

The Financial report for the half-year ended 31 December 2008 is a general purpose financial report prepared in accordance with the listing rules and AASB 134: *Interim Financial Reporting*. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period. This report does not include all notes of the type normally included in an annual financial report.

*A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible). In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations (as per paragraphs 16(b), 16(b) and Aus 16.1 of AASB 134: Interim Financial Reporting)*

na

Any other factors which have affected the results in the period, or which are likely to affect results in the future, including those where the effect could not be quantified.

na

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

na

Changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

*(Disclose changes in the half yearly statement in accordance with paragraph 16(a) of AASB 134: Interim Financial Reporting. Disclose changes in the preliminary final statement in accordance with paragraphs 28-29 of 108: Accounting Policies, Changes in Accounting Estimates and Errors.)*

Nil

An *issuer* shall explain how the transition from previous GAAP to Australian equivalents to IFRS' affected its reported financial position, financial performance and cash flows. *(as per paragraph 38 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards)*

na

Revisions in estimates of amounts reported in previous periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year *(as per paragraph 16(d) of AASB 134: Interim Financial Reporting)*

na

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assts since the last annual report *(as per paragraph 16(j) of AASB 134: Interim Financial Reporting)*

na

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence *(as per paragraph 16(c) of AASB 134: Interim Financial Reporting)*

na

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations *(as per paragraph 16(i) of AASB 134: Interim Financial Reporting)*

na



**Annual meeting**

(Preliminary final statement only)

The annual meeting will be held as follows:

Place

na

Date

na

Time

na

Approximate date the annual report will be available

na

**Compliance statement**

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

na

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does/~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:

- ☐ The financial statements have been audited.
- ☒ The financial statements have been subject to review by a registered auditor (or overseas equivalent).
- ☐ The financial statements are in the process of being audited or subject to review.
- ☐ The financial statements have *not* yet been audited or reviewed.

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available\* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

6. The *issuer* has/~~does not have~~\* (*delete one*) a formally constituted audit committee.

7.

Sign here:   
(Director/~~Company secretary~~)

Date: 10 March 2009

Print name: .....Sydney Robert Pitt.....



**Wellington**

PREMIUM INCOME FUND

# **Interim Financial Report**

**Premium Income Fund**

ARSN 090 687 577

For the half-year ended 31 December 2008

This interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made in respect of the Premium Income Fund during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This financial report covers the Premium Income Fund as an individual entity.

The Responsible Entity of the Premium Income Fund is Wellington Capital Limited (ACN 114 248 458). The Responsibility Entity's registered office is Level 22, 307 Queen Street, Brisbane, Qld. 4000.

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This financial report covers the Premium Income Fund as an individual entity.

The responsible entity of the Premium Income Fund is Wellington Capital Limited ACN 114 248 458. The responsible entity's registered office is Level 22, 307 Queen Street, Brisbane, Queensland, 4000.

## Directors' Report

The directors of Wellington Capital Limited ("WCL") the Responsible Entity of the Premium Income Fund present their report together with the financial report of the Premium Income Fund ("the Fund") for the half-year ended 31 December 2008.

### Responsible Entity

The responsible entity of the Premium Income Fund is Wellington Capital Limited. Prior to 15 October 2008, the Responsible Entity was Wellington Investment Management Limited (previously called Octaviar Investment Management Limited).

### Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The entity's principal activity for the year was the investment of unit holders' funds in equity instruments, debt instruments, cash and registered mortgages.

The entity did not have any employees during the year.

There were no significant changes in the nature of the entity's activities during the year.

### Directors

The following persons held office as directors of Wellington Capital Limited during the half-year or since the end of the half-year and up to the date of this report:

Jennifer Hutson  
Robert Pitt  
Mary-Anne Greaves

### Review and results of operations

The global financial crisis, which severely affected the valuation and recoverability of the Funds assets during the previous financial year, worsened during the current financial period. This trend caused the proposed refinancing by some of the Fund's borrowers to be delayed, or cancelled, due to their inability to obtain alternate financing. These delays prevented the full repayment of bank borrowings and the recommencement of cash distributions to unit holders as had been previously forecast.

In addition, asset backed securities, managed investment schemes and fixed interest securities in which the Fund has assets, recorded a decline in their market values in line with the general decline in investment markets around the world.

The main Octaviar Limited group companies entered into Deeds of Company Arrangement (DOCA's) in December 2008. Under the terms of the DOCA's the Fund has provided evidence of its debts to the Administrators, although it is anticipated that further evidence will need to be provided. The Fund's claim is for \$147.5 million and until that claim is finally accepted and the asset values of the Octaviar companies determined, it is not possible to accurately predict any possible return to the Fund. Furthermore, Octaviar Pacific Finance Limited (PAC) has lodged claims amounting to \$461 million against Octaviar Limited and any recovery by that organisation may result in some further return to the Fund from amounts owing to it by PAC. It is the intention of the Director's to continue to actively pursue these claims on behalf of unit holders.

During the financial period, \$64 million was raised from asset sales or refinances. These funds were used to repay \$49 million of external borrowings and to pay outstanding creditor claims of \$11 million for progress claims for construction and mothballing of projects under construction.

At a meeting of unit holders on 15 October 2008 it was resolved to modify the Fund's Constitution so as to cancel the redemption provisions and to list the Fund's units on the National Stock Exchange. The listing occurred on 16 October 2008. It was further resolved to appoint Wellington Capital Limited as the Responsible Entity.

It is the Director's intention to continue to manage the asset portfolio and cash flows so as to repay all external debt, which to date has been reduced to \$5.7million, and to recommence cash distributions to unit holders as soon as possible.

As a result of the substantial reduction in bank borrowings and settlement of the outstanding creditor claims, the Director's believe that the threat of liquidation of the Fund has been eliminated. Accordingly, they believe the Fund is a going concern and the financial statements have been prepared on that basis.

**Results**

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year to 31 December 2008 \$000's	Half-year to 31 December 2007 \$000's
Net operating profit/(loss)	(6,486)	23,639

**Distributions**

Distribution paid and payable (\$000's)	-	34,530
Distribution (cents per unit)	-	4.18

In January 2008 the Fund suspended the payment of distributions. As at the date of this report, this suspension remains in place.

**Unit holders' funds**

Following the unit holders' resolution to modify the Constitution of the Fund to cancel the redemption provisions and to list the Fund's units on the National Stock Exchange, unit holders' equity has been reclassified in the Balance Sheet as equity rather than a liability. This is in accordance with AASB 132 *Financial Instruments: Disclosure and Presentation*. Full details are disclosed in the Statement of Changes in Equity in the Financial Report.

**Significant changes in state of affairs**

The Fund continued to invest primarily in equity instruments, debt instruments and mortgage loans during the period ended 31 December 2008.

The asset allocation of the Fund as at 31 December 2008 was as follows:

Mortgage Loans	69.7%
Managed Investment Schemes	1.6%
Alternative Investments	25.0%
Cash Investments	0.4%
Fixed Interest Investments	3.3%

Due to the reduction in the assessed fair value of the fund's investment portfolio, these asset allocations are outside the target allocation guidelines contained in the Product Disclosure Statement which was issued on 2 July 2007 ("PDS"). The definitions of each of the above asset categories are set out in the PDS.

**Interests of the Responsible Entity**

Neither the Responsible Entity, nor any of its associates, held any interests in the Fund during, or since, the financial period.

**Matters subsequent to the end of the financial period**

Since the end of the financial period, no circumstances have arisen which have significantly affected, or which may significantly affect, the operations of the entity, the results of those operations or the state of affairs of the entity in future periods.

**Indemnification and insurance of officers and auditors**

No insurance premiums were paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Wellington Capital Limited or the auditors of the Fund. So long as the officers of Wellington Capital Limited act in accordance with the Fund's constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

**Responsible Entity's remuneration**

At the meeting of unit holders held on 15 October 2008, it was resolved that the Responsible Entity would be paid a management fee of 0.7% per annum on the value of funds under management. It was agreed by the Responsible Entity that no fees would be charged, or become payable, until cash distributions to unit holders totalling 3 cents per unit had been made. During the financial period no management fees were charged or paid by the Fund to the Responsible Entity.

**Environmental regulation**

The operations of the Fund are not subject to any particular or significant environmental law or regulation.

**Rounding of amounts to the nearest thousand dollars**

The Fund is an entity of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities & Investments Commission relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is included in this Financial Report.

Signed in accordance with a resolution of the Directors of Wellington Capital Limited



Jenny Hutson  
Director



Robert Pitt  
Director

Brisbane

9 March 2009

PricewaterhouseCoopers  
ABN 52 780 433 757


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### Auditors' Independence Declaration

As lead auditor for the review of the Premium Income Fund for the half year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of the Premium Income Fund during the period.



Timothy J. Allman  
Partner  
PricewaterhouseCoopers

Brisbane  
9 March 2009

# Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	Half-year ended 31 December 2008 \$000's	Half-year ended 31 December 2007 \$000's
<b>INVESTMENT INCOME</b>			
Interest income		1,783	38,339
Net unrealised loss on financial instruments designated as at fair value through profit or loss		(5,409)	(15,603)
Net realised loss on disposal of other financial assets		(2,247)	-
Net realised loss on realisation of mortgage loans		(1,303)	-
Impairment of mortgage loans and other financial assets		(9,127)	-
Reduction in impairment provision of mortgage loans and other financial assets		13,622	-
Investment income		-	4,497
Loan and other fees received		434	21
<b>Total investment income/(loss)</b>		<b>(2,247)</b>	<b>27,254</b>
<b>EXPENSES</b>			
Responsible entity's fees		-	-
Custodian and registry fees		679	675
Fees and commission expense		7	43
Auditor's remuneration		163	12
Finance costs (excluding distributions)		1,946	1,364
Consulting, compliance, accounting and legal fees		1,423	206
Insurance		(536)	1,315
Stock exchange listing fees		39	-
Other direct fund expenses		518	-
<b>Total operating expenses</b>		<b>4,239</b>	<b>3,615</b>
<b>NET OPERATING PROFIT/(LOSS)</b>		<b>(6,486)</b>	<b>23,639</b>

The Income Statement should be read in conjunction with the accompanying notes.



## Balance Sheet

AS AT 31 DECEMBER 2008

	Note	31 December 2008 \$000's	30 June 2008 \$000's
<b>ASSETS</b>			
Cash and cash equivalents		1,244	1,259
Other financial assets	6	84,775	96,655
Receivables	7	151	693
Financial assets held at fair value through profit or loss	8	16,718	21,122
Mortgage loans	9	236,366	275,994
Other assets		360	-
<b>TOTAL ASSETS</b>		<b>339,614</b>	<b>395,723</b>
<b>LIABILITIES</b>			
Distributions payable		6	6
Payables	10	4,682	4,935
Interest bearing liabilities	11	5,705	55,000
<b>TOTAL LIABILITIES</b> (excluding net assets attributable to unit holders)		<b>10,393</b>	<b>59,941</b>
Net assets attributable to unit holders	4	-	335,782
<b>TOTAL LIABILITIES</b>		<b>10,393</b>	<b>395,723</b>
<b>NET ASSETS</b>		<b>329,221</b>	<b>-</b>
<b>EQUITY</b>			
Contributed equity	4	755,073	-
Retained losses	4	(425,852)	-
<b>TOTAL EQUITY</b>		<b>329,221</b>	<b>-</b>

The Balance Sheet should be read in conjunction with the accompanying notes.

# Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Half-year ended 31 December 2008 \$000's	Half-year ended 31 December 2007 \$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest, fees and investment income received	2,761	17,270
Borrowing costs	(1,946)	-
Other cash payments in the course of business	(4,461)	(9,470)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(3,646)</b>	<b>7,800</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mortgage loan advances	(11,197)	(145,419)
Mortgage loan repayments	49,625	83,248
Purchase of investments in managed investment schemes	-	(98,690)
Redemptions of investments in managed investment schemes	299	120,767
Fixed interest securities purchased	-	(9,000)
Other investments purchased	(1,643)	(234,957)
Other investments sold	15,916	103,769
<b>Net cash inflow/(outflow) from investing activities</b>	<b>53,000</b>	<b>(180,282)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from applications by Unit holders	-	101,347
Payments for redemptions by Unit holders	-	(210,398)
Payments for hardship claims by Unit holders	(74)	-
Distributions paid	-	(34,640)
Proceeds from borrowings	-	200,000
Repayment of borrowings	(49,295)	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(49,369)</b>	<b>56,309</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(15)</b>	<b>(116,173)</b>
Cash equivalents at the beginning of the period	1,259	132,053
<b>CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1,244</b>	<b>15,880</b>

The Cash Flow Statement should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

FOR THE HALF- YEAR ENDED 31 DECEMBER 2008

	Issued Capital \$000's	Retained Earnings \$000's	Total \$000's
<b>HALF-YEAR ENDED 31 DECEMBER 2008</b>			
Balance at the beginning of the period	-	-	-
Net assets attributable to unit holders reclassified from liabilities to equity	755,148	(419,366)	335,782
Units redeemed under hardship provisions	(75)	-	(75)
Net profit/(loss) for the period	-	(6,486)	(6,486)
Distributions to unit holders	-	-	-
Balance at the end of the period	755,073	(425,852)	329,221

Following the unit holders' resolution on 15 October 2008, to modify the Constitution of the Fund so as to cancel the redemption provisions and to list the Fund's units on the National Stock Exchange, net assets attributable to unit holders has been reclassified in the Balance Sheet as equity rather than as a liability. This is in accordance with AASB 132 *Financial Instruments: Disclosure and Presentation*.

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Notes

### NOTE 1. GENERAL INFORMATION

This financial report covers the Premium Income Fund (the 'Fund') as an individual entity. The Fund was constituted on 22 December 1999 and is a listed registered managed investment scheme.

The responsible entity of the Fund is Wellington Capital Limited. The responsible entity's registered office is Level 22, 307 Queen Street, Brisbane, Qld, 4000. The financial report is presented in Australian currency.

The accounting policies adopted are consistent with those of the previous financial period and corresponding interim reporting period.

### NOTE 2 . STATEMENT OF COMPLIANCE

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Fund as at and for the year ended 30 June 2008.

The financial statements were authorised for issue by the directors on 9 March 2009. The directors of the responsible entity have the power to amend and reissue the financial report.

The Fund is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* in Australia.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

On 16 October 2008 the Fund was listed on the National Stock Exchange. From that date and in accordance with AASB 132 *Financial Instruments: Disclosure and Presentation*, unit holders' funds have been reclassified from liabilities to equity in the Balance Sheet. Full details of the movement in equity are set out in the Statement of Changes in Equity.

#### Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of the Fund, comprising the financial Statements and notes thereto, complies with International Financial Reporting Standards.

#### (b) Going concern

The interim financial report has been prepared on a going concern basis.

During the period to 31 December 2008, there were three key actions taken by the directors.

1. The constitution of the Fund was changed so that the provision for unit holder redemptions was cancelled;
2. The Fund was listed on the National Stock Exchange; and
3. There was a substantial repayment of the Fund's interest bearing borrowings.

The directors have assessed the future funding requirements for the Fund after taking into account the actions executed as noted above. In particular, the redemption of units is no longer a requirement of the Fund given the change in the constitution. This has substantially improved the future liquidity requirements of the Fund.

Also, during the period to 31 December 2008, the Fund repaid approximately \$49million of interest bearing liabilities and creditors from approximately \$64million that was raised from asset sales or refinances during the period. This has reduced the interest bearing liabilities owing by the fund to approximately \$6million as at 31 December 2008. This liability is due for repayment by 31 March 2009, further details of which can be found at Note 11.

In addition to the repayment of the interest bearing liabilities above, the directors have also considered the need for further asset funding requirements over the next twelve months. The directors are confident they will be able to meet all future cash funding requirements based upon detailed cash flow forecasting completed.

As a result of the actions above, the directors have prepared the interim financial report on a going concern basis.

Further, there continues to be a decline in property markets in Australia caused by the global financial crisis which had caused a substantial reduction in the market value of the Fund's assets. Material uncertainty surrounds the valuation and collectability, in full, of a large proportion of the Fund's loan and investment portfolio (refer to Notes 6, 8 and 9). During the current period, the directors have endeavoured to assess the value of each of the Fund's assets and have provided for impairment where appropriate. However, there continues to be material uncertainty in regards to the carrying amounts of each of the Fund assets recorded.

After taking into account all available information, the directors have concluded that there are reasonable grounds to believe the Fund will be able to pay its debts as and when they become due and payable and continue in operation without any intention, or necessity, to liquidate or otherwise wind up its operations. As such, the basis of preparation of the financial report on an on going basis is appropriate.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the classification of liabilities that might be necessary should the Fund not continue as a going concern.

**(c) Critical accounting estimate – uncertainty around property valuations**

The global market for many types of real estate has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have transferred into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

Fair value of underlying security for mortgage loans – in default or mortgagee in possession, is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

The current lack of comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty in regard to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be significantly prolonged.

The fair value of the underlying security for mortgage loans – in default or mortgagee in possession, has been adjusted to reflect market conditions at the end of the reporting period. Whilst this represents the best estimates of fair value as at the balance sheet date, the current market uncertainty means that if a property is sold in future, the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

**NOTE 4. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

On 29 January 2008 the Directors of Octaviar Investment Management Limited, the then responsible entity, resolved to defer the processing and payment of redemptions for up to 180 days to preserve cash balances. Further, on 10 March 2008, the Board extended the deferment for a further 180 days in accordance with the Fund's Constitution.

On 15 October 2008 the members of the Fund resolved to modify the Constitution of the Fund to allow for cancellation of the redemption provisions and the listing of the Fund's units on the National Stock Exchange. The listing occurred on 16 October 2008. The effect of this listing was to change the nature of unit holders' funds from a liability to equity as shown on the Balance Sheet.

**NOTE 5. DISTRIBUTIONS TO UNITHOLDERS**

**Timing of distributions**

Distributions were paid monthly from 1 July 2008 to 31 January 2008 at which time they were suspended.

The distributions were paid/payable as follows:

	June to December 2008 \$000'S	June to December 2008 CPU	June to December 2007 \$000'S	June to December 2007 CPU
Distributions paid	-	-	34,530	4.18
Distributions payable	-	-	-	-
<b>Total Distributions</b>	<b>-</b>	<b>-</b>	<b>34,530</b>	<b>4.18</b>

**NOTE 6. OTHER FINANCIAL ASSETS**

	31 December 2008 \$000's	30 June 2008 \$000's
Asset backed investments	209,342	268,348
Provision for impairment	(124,567)	(171,693)
<b>Written down value of asset backed investments</b>	<b>84,755</b>	<b>96,655</b>

Included in Asset Backed Investments are investments in current and previous Octaviar Limited related entities as follows:

	Note	Investment 31 December 2008 \$000's	Written down value \$000's	Investment 30 June 2008 \$000's	Written down value \$000's
Octaviar PECS Trust	(a)	5	1	5	1
Octaviar Pacific Finance Notes	(b)	23,790	-	23,790	-
Living & Leisure Australia	(c)	-	-	77,945	27,000
Octaviar Rap Limited	(d)	5,081	-	5,081	-
Causeway Private Debt Opportunity Fund	(e)	19,300	12,700	21,300	14,700
Investments subject to participation agreements with Octaviar related entities	(f)	62,467	-	62,467	-
		<b>110,643</b>	<b>12,701</b>	<b>190,583</b>	<b>41,701</b>

**Basis of Valuation**

- (a) The Octaviar PECS Trust is being liquidated and it has advised the Fund that a recovery of \$1,000 is likely from the net proceeds of liquidation.
- (b) The fund has a \$23.8M (30 June 2008 - \$23.8M) investment in interest bearing unsecured notes with Octaviar Pacific Finance Limited which matured on 31 March 2008. The notes were not repaid on maturity. Octaviar Pacific Finance is under Administration and the directors assess that recovery is unlikely.
- (c) Unsecured loans amounting to \$78M had been advanced to the ASX listed Living & Leisure Australia Trust in the period ended 30 June 2008. Living and Leisure Australia Trust encountered financial difficulties and was suspended from the ASX on 21 January 2008. The loans which matured on 30 May 2008 could not be repaid. A recapitalisation proposal from Arctic Capital Limited was accepted by secured creditors in May 2008 which prevented the Trust entering liquidation. Under the terms of that proposal PIF would receive \$28M spread over three years from Arctic Capital Limited in full satisfaction of amounts owing by Living and Leisure Trust. The first instalment of \$10M was received during the financial period.
- (d) Octaviar RAP Limited is embroiled with the financial difficulties being encountered by the Octaviar Limited Group and it is considered that any recovery of the debt is unlikely.
- (e) On 2 May 2007 the fund approved a loan facility of \$50 million to Causeway Private Debt Opportunity Fund. At 30 June 2008 \$21.3 million remained outstanding. Whilst the debt is secured by a fixed and floating charge over Causeway Private Debt Opportunity Fund's assets, the world-wide credit tightening being experienced currently, has diminished the value of this security. In return for cancelling the approved but undrawn portion of the loan facility, negotiations were concluded, with PIF accepting a refinance proposal of \$14.7 million which was to be paid by 31 July 2008. \$2 million was received during the period ended 31 December 2008. The directors remain confident that this payment will be made in full.
- (f) The fund entered into a participation agreement with Octaviar Pacific Finance Limited (PAC) in November 2007 whereby the Fund would participate in loans previously originated by PAC. The participation agreement covers six corporate loans with varying maturities, the latest of which is 2 October 2009. All of the loans are non-performing and as the Fund's priority ranks behind that of PAC it is considered by the directors that any recovery is unlikely.

**NOTE 7. RECEIVABLES**

	31 December 2008 \$000's	30 June 2008 \$000's
Trade receivables	151	392
Interest receivable	-	72
GST receivable	-	229
	<b>151</b>	<b>693</b>

**NOTE 8. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**

Equity securities	5,513	5,599
Fixed interest securities	11,205	15,523
	<b>16,718</b>	<b>21,122</b>

Included in the total of financial assets held at fair value through profit or loss are investments in current and previous Octaviar related entities as follows:

	Note	Investment 31 December 2008 \$000's	Fair value 31 December 2008 \$000's	Investment 30 June 2008 \$000's	Fair value 30 June 2008 \$000's
Octaviar Blue Sky Development Trust	(a)	1,550	-	1,550	-
Octaviar Property Trust No 7	-	998	-	998	-
Maximum Yield Fund (previously Octaviar Maximum Yield Fund)	(b)	85,000	-	85,000	-
		<b>87,548</b>	-	<b>87,548</b>	-

**Basis of Valuation**

- (a) The Octaviar Blue Sky Development Trust has invested in a second ranking mortgage in a major tourist resort in North Queensland. Recent offers to purchase that resort have been insufficient to satisfy the first mortgage debt. The directors consider therefore that any recovery for the Fund is unlikely.
- (b) The Premium Income Fund has invested \$85 million in the Maximum Yield Fund. The total investment portfolio of the Maximum Yield Fund has been valued as follows. The Directors assess that there will be no recovery for the Premium Income Fund.

	Note	Investment 31 December 2008 \$000's	Fair value 31 December 2008 \$000's	Investment 30 June 2008 \$000's	Fair value 30 June 2008 \$000's
Q Deck (Qld) Pty Ltd	(c)	30,316	-	30,000	-
Octaviar Blue Sky Development Trust	(d)	45,470	-	45,098	-
Octaviar Pacific Finance Limited participation loans	(e)	1,685	-	9,902	-
		<b>77,471</b>	-	<b>85,000</b>	-

- (c) The valuation of the asset supporting the Q Deck (Qld) Pty Ltd investment (an Octaviar Limited group entity) has been adversely affected by the general downturn in the Australian property market and the financial difficulties currently being experienced by Octaviar Limited. The Fund's investment is second ranking and recovery of the full amount of the investment is considered unlikely.
- (d) The investment in the Octaviar Blue Sky Development Trust has, in the opinion of the Directors, no value, refer to Note 8(a).
- (e) The major portion of the Octaviar participation loans had been repaid prior to 30 June 2008 but the proceeds were held in a solicitors trust account pending clarification of the priorities between Octaviar Pacific Finance Limited and the Premium Income Fund. Following examination of the documents and after seeking a legal opinion, the Directors

came to the conclusion that Octaviar Pacific Finance Limited was entitled to all of the proceeds. During the current period this conclusion was confirmed and the proceeds of the loan repayment were paid to Octaviar Pacific Finance Limited. The remaining balance represents an investment in unsecured notes of Octaviar Pacific Finance Limited which is in a moratorium. Under the terms of that moratorium a distribution of \$29,869 was received in January 2009 but further possible distributions, if any, cannot be determined at this time.

**NOTE 9. MORTGAGE LOANS**

	31 December 2008 \$000's	30 June 2008 \$000's
Mortgage loans - performing	6,355	147,485
Provision for impairment	-	-
	<u>6,355</u>	<u>147,485</u>
Mortgage loans - in default or mortgagee in possession	295,950	214,207
Provision for impairment	(65,939)	(85,698)
	<u>230,011</u>	<u>128,509</u>
<b>Written down value of mortgage loans</b>	<u><b>236,366</b></u>	<u><b>275,994</b></u>

All mortgage loans are secured by registered mortgages. The recoverability of mortgage loans or their potential refinance with other lenders, has been unfavourably affected by the tightening in global credit markets and a general decline in property valuations across Australia.

With the assistance of independent advisors, the directors have made an assessment of each mortgage loan to determine the likelihood of recovery and the extent of any possible impairment in the value of these investments. Where, in the opinion of the directors, an asset's value is impaired, the asset has been written down to the director's assessment of its fair value.

Assets are classified as mortgage loans in default or mortgagee in possession when the fund has issued default notices to the borrower under the terms of the lending arrangements. These mortgage loans are carried at the present value of future cash flows expected to flow to the Fund on realisation and take into account:

- recent offers to purchase the assets or refinance the loans after sustained marketing campaigns;
- recent valuations of the underlying securities;
- for construction projects, the estimated completed value less the estimated cost to complete as provided by quantity surveyors;
- general market conditions;
- the financial position of the borrower; and
- the loan status (performing / non-performing etc.).

The estimates completed by the directors are considered having regard to the critical accounting estimate outlined in Note 3(c).

As at 31 December 2008 there were 25 loans classified as mortgage loans - in default or mortgagee in possession (30 June 2008: 23 loans) with a total principal balance of \$295,949,781 (30 June 2008: \$214,207,055).

**NOTE 10. PAYABLES**

	31 December 2008 \$000's	30 June 2008 \$000's
Trade payables	724	921
Accrued expenses	1,989	3,947
GST payable	1,969	67
	<u>4,682</u>	<u>4,935</u>

**NOTE 11. INTEREST BEARING LIABILITIES**

Interest bearing loan	<u>5,705</u>	<u>55,000</u>
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The interest bearing loan is secured by a fixed and floating charge over all of the assets of the Fund. The interest rate is 25% pa. The loan is repayable by 31 March 2009 and early repayment is allowable should circumstances permit.



**NOTE 12. RELATED PARTY TRANSACTIONS****Responsible Entity**

On 15 October 2008, Wellington Investment Management Limited retired as responsible entity and Wellington Capital Limited was appointed.

**Custodian**

The custodian of the Fund is Perpetual Nominees limited (ACN 000 733 700). Custodian fees have been paid by the Fund.

**Responsible Entity's/manager's fees and other transactions**

	31 December 2008 \$000's	31 December 2007 \$000's
Management fees paid by the Fund to the responsible entity		
- Octaviar Investment Management Limited	-	-
- Wellington Investment Management Limited	-	-
- Wellington Capital Limited	-	-

**Aggregate amounts payable to the Responsible Entity at the reporting date**

	31 December 2008 \$000's	31 December 2007 \$000's
Responsible Entity:		
Octaviar Investment Management Limited	-	1,411
Wellington Investment Management Limited	727	-
Wellington Capital Limited	(3)	-

The amount payable to Wellington Investment Management Limited is for reimbursement of direct fund expenses paid on behalf of the Fund and do not include any management fees. These amounts are included in accounts payable and accrued expenses in the Balance Sheet.

## Directors' Declaration

In the opinion of the directors of Wellington Capital Limited, the responsible entity of the Premium Income Fund ('Fund'):

- (a) the financial statements and notes set out on pages 2 to 15 are in accordance with the Corporations Act 2001, including
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the period ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



Jenny Hutson  
Director



Robert Pitt  
Director

Brisbane

9 March 2009

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## **Independent auditor's report to the members of the Premium Income Fund**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of the Premium Income Fund (the "Fund"), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Fund.

#### *Directors' responsibility for the half-year financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Premium Income Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

**Independent auditor's report to the members of the Premium Income Fund  
(continued)**

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

*Independence*

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

*Conclusion*

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

- (a) giving a true and fair view of the Premium Income Fund's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



Timothy J. Allman  
Partner

Brisbane  
9 March 2009