

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

Name of issuer

**PREMIUM INCOME FUND**

ACN or ARSN

090 687 577

Half yearly  
(tick)

Preliminary  
final (tick)

X

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

30 June 2009

## For announcement to the market

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

			\$A,000
Revenue (item 1.1)	up/down	%	(32,285)
Profit (loss) for the period (item 1.9)	up/down	%	(39,356)
Profit (loss) for the period attributable to security holders (item 1.11)	up/down	%	(39,356)
<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 (30 June 2009)	Previous corresponding period - \$A'000 (30 June 2008)
1.1 Revenues <i>(item 7.1)</i>	(32,285)	(352,820)
1.2 Expenses, excluding finance costs <i>(item 7.2)</i>	(4,390)	(13,813)
1.3 Finance costs	(2,681)	(12,650)
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>	(39,356)	(379,283)
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>	(39,356)	(379,283)
1.10 Basic earnings per <i>security</i> <i>(item 9.1)</i>	(\$0.05)	*
1.11 Diluted earnings per <i>security</i> <i>(item 9.1)</i>	(\$0.05)	*
1.12 Distribution per <i>security</i> <i>(item 9.1)</i>	Nil	*

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

	Current period - \$A'000	Previous corresponding period - \$A'000
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	(32,870)	(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	Previous corresponding period - \$A'000
3.1	Cash and cash equivalents	445	1,259
3.2	Other financial assets	62,486	96,655
3.3	Trade and other receivables	109	693
3.4	Financial assets held at fair value through profit or loss	15,802	21,122
3.5	Mortgage loans	219,502	275,994
3.6	Other assets	-	-
3.7	<b>Total assets</b>	298,344	395,723
<b>Liabilities</b>			
3.8	Trade and other payables	1,993	4,941
3.9	Borrowings	-	55,000
3.10	Other	-	-
		1,993	59,941
3.11	Net assets attributable to unit holders		335,782
3.12	<b>Total liabilities</b>	1,993	395,723
3.13	<b>Net assets</b>	296,351	-
<b>Equity</b>			
3.14	Share capital/issued units	334,340	-
3.15	Other reserves		-
3.16	Retained earnings	(37,989)	-
3.17	<b>Total equity</b>	296,351	-

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	(39,356)	(379,283)
4.3 Total recognised income and expense for the period	(39,356)	(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	Previous corresponding period - \$A'000
<b>Cash flows related to operating activities</b>		
5.1 Interest, fees and investment income received	4,747	23,503
5.2 Other cash payments in the course of business	(7,363)	(10,045)
5.5 Other (provide details if material)	-	-
5.6 <b>Net cash used in operating activities</b>	(2,616)	13,458
<b>Cash flows related to investing activities</b>		
5.7 Mortgage loan advances	(5,436)	(162,039)
5.8 Mortgage loan repayments	55,093	71,918
5.9 Payment for purchases of investments in managed investment schemes	(2,131)	(82,787)
5.10 Redemptions of investments in managed investment schemes	349	178,540
5.11 Fixed interest securities purchased	-	(2,547)
5.12 Fixed interest securities redeemed	-	94,963
5.13 Other investments purchased	-	(190,810)
5.14 Other investments sold	11,694	76,933
5.15 Other (provide details if material)	-	-
5.16 <b>Net cash used in investing activities</b>	59,569	(15,829)
<b>Cash flows related to financing activities</b>		
5.17 Proceeds from issues of securities (shares, options, etc.)	-	115,044
5.18 Payments for redemptions of securities by unitholders	(75)	(239,988)
5.19 Proceeds from borrowings	-	200,000
5.20 Repayment of borrowings	(57,692)	(157,650)
5.21 Distributions paid	-	(45,828)
5.22 Other (provide details if material)	-	-
5.23 <b>Net cash used in financing activities</b>	(57,767)	(128,422)
<b>Net increase (decrease) in cash and cash equivalents</b>	(814)	(130,793)
5.24 Cash at beginning of period (see Reconciliations of cash)	1,259	132,052
5.25 Exchange rate adjustments to item 5.23		-
5.26 <b>Cash at end of period</b> (see Reconciliation of cash)	445	1,259

## 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	Previous corresponding period \$A'000
6.1	<b>Profit</b> (item 1.9)	(39,356)	(379,283)
	Adjustments for:		
6.2	Net unrealised (gain)/loss on financial instruments designated at fair value through profit or loss	5,682	281,331
6.3	Impairment of mortgage loans	30,732	85,698
6.4			
6.5	(Increase)/decrease in receivables	671	8,938
6.6	Increase/(decrease) in payables	(345)	16,774
6.7	(Increase)/decrease in prepayments	-	-
6.8			
6.9			
6.10	<b>Net cash from operating activities</b> (item 5.6)	(2,616)	13,458

## 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	3,032	61,633
Net loss on financial instruments designated as at fair value through profit or loss	(8,087)	(163,580)
Net realised loss on realisation of mortgage loans and other financial assets	(7,535)	-
Impairment of mortgage loans	(119)	(85,698)
Impairment of other financial assets	(20,673)	(171,693)
Realised loss on realisation of mortgage loans	-	-
Investment income	157	6,162
Loan and other fees received	940	356
<b>Total Revenue</b>	<b>(32,285)</b>	<b>(352,820)</b>
<b>7.2 Expenses</b>		
Responsible entity's fees	-	6,098
Custodian and registry fees	928	1,410
Fees and commissions paid	48	4,470
Auditors remuneration	334	197
Finance costs (excluding distributions)	2,681	12,650
Consulting, compliance, accounting and legal fees	2,997	353
Other expenses	83	1,285
<b>Total Expenses</b>	<b>7,071</b>	<b>26,463</b>
<b>Profit (loss) before tax</b>	<b>(39,356)</b>	<b>(379,283)</b>

<b>Ratios</b>	Current period	Previous corresponding period
<b>Profit before tax / revenue</b>		
<b>8.1 Consolidated profit (loss) before tax (item 1.5) as a percentage of revenue (item 1.1)</b>	<b>na</b>	<b>na</b>
<b>Profit after tax / equity interests</b>		
<b>8.2 Consolidated profit (loss) after tax attributable to security holders (item 1.11) as a percentage of equity (similarly attributable) at the end of the period (item 3.37)</b>	<b>na</b>	<b>na</b>

## 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	30 June 2008
Net profit used in calculating basic and diluted earnings per unit(\$000's)	(39,356)	(379,283)
The weighted average number of units used in calculating basic earnings per unit (000's)	755,061	755,147
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)	755,061	755,147

## 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.

Nil

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

na

- 10.4 Any other disclosures in relation to *distributions*

Nil



## 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	880,091
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	-	-
14.41 Profit for the period	(39,356)	(379,283)
14.42 Total for the period	(458,722)	(379,283)
14.43 Distributions	-	(40,083)
<b>14.44 Balance at end of period</b>	<b>(458,722)</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) ( <i>item 1.9</i> )	
		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 <i>item 1.9</i> )	
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	\$0.39	\$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 year ended 30 June 2009 is a general purpose financial report prepared in accordance with the listing rules and 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*. 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 assets 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: ..... 31-8-09 .....

Print name: .....Mary-Anne Greaves.....



Wellington

PREMIUM INCOME FUND

# **Annual Report**

Premium Income Fund

ARSN 090 687 577

30 June 2009

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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 ABN 45 114 248 458.

The responsible entity's registered office is Level 22, 307 Queen Street, Brisbane, Queensland, 4000.



## **Corporate Directory**

<b>RESPONSIBLE ENTITY</b>	Wellington Capital Limited
<b>DIRECTORS</b>	Ms J J Hutson, B.Comm., LL.B FAICD FAIM Mr S R Pitt, CPA, FCIS, MAICD Mrs M A Greaves, LL.B, ACIS
<b>SECRETARY</b>	Mrs M A Greaves
<b>REGISTERED OFFICE</b>	Level 22 307 Queen Street Brisbane Qld. 4000
<b>SHARE REGISTRY</b>	Computershare Limited Level 19 307 Queen Street Brisbane Qld. 4000
<b>AUDITORS</b>	PriceWaterhouse Coopers Riverside Centre 123 Eagle Street Brisbane Qld. 4000
<b>SOLICITORS</b>	McCullough Robertson Level 11 Central Plaza 2 66 Eagle Street Brisbane Qld. 4000
<b>CUSTODIAN</b>	Perpetual Nominees Limited Level 12 123 Pitt Street Sydney NSW 2000
<b>STOCK EXCHANGE</b>	National Stock Exchange Level 3 45 Exhibition Street Melbourne Vic. 3000



## Corporate Governance Statement

Unless otherwise disclosed below, the following corporate governance principles have been applied for the entire financial period.

### The responsible entity

Wellington Capital Limited ("Manager") is the responsible entity of the Premium Income Fund ("Fund"). Its role is to manage the Fund in the unit holders' best interests in accordance with the Fund's Constitution and the law.

### The board of the responsible entity

The board of directors of the Manager will, in carrying out its function and exercising its powers, at all times fulfill its overriding responsibility to act honestly, conscientiously and fairly, in accordance with the law, in the interests of unit holders and those of both employees of the group and those with whom the group has dealings.

To assist it in the execution of its responsibilities, the board has established an Audit and Risk Management Committee and a Compliance Committee.

The directors have the right to seek independent professional advice in the furtherance of their duties, as directors, at the Manager's expense.

### Composition of the board

The board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the group and its business.

The board of directors currently comprises the following members:

Ms Jennifer Hutson (Chair and Managing Director)  
Mr Robert Pitt  
Mrs Mary-Anne Greaves

Information about each present member of the board of the Manager is set out in the Directors' Report.

### Performance evaluation

A performance evaluation of the board and all of its members is conducted annually. The performance of the Chair is reviewed and assessed by the other directors. The performance of all other directors is conducted by the Chair. An external assessment of the Board's policies and procedures, and its effectiveness generally, is conducted by an independent professional consultant at intervals of no more than three years.

### Trading policy

The Manager's policy regarding directors and employees trading in securities of the Fund is determined by the board of directors. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the price of the securities.

### Independent professional advice

Each director has the right to seek independent legal or other professional advice, at the Manager's expense, to assist them in the performance of their duties. Prior approval must be obtained from the Chair but this may not be unreasonably withheld.

### Key management personnel and remuneration

The Fund has no employees. All key management personnel are employed by and are remunerated by the Manager, Wellington Capital Limited. No amounts were paid by the Fund to key management personnel of the Manager during the financial year.

### Compliance Committee

The Compliance Committee has a statutory obligation to monitor the extent to which the Manager complies with the Fund's compliance plan and the *Corporations Act 2001*. It meets quarterly, or more frequently if required, and is provided with detailed compliance reports from the Compliance Officer. It reports its findings to the board of the Manager. The members of the Compliance Committee are as follows:

Ms M A Greaves  
Mr T Outerbridge (external independent member)  
Mr P Wibaux (external independent member)

### Audit and Risk Management Committee

The Audit and Risk Management Committee has been established to advise the board on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the group. It also gives the board additional assurance regarding the quality and reliability of financial information prepared for use by the board. The committee has responsibility for reviewing the risk management framework and policies within the group and monitoring their implementation. The members of the Audit and Risk Management Committee are Ms J Hutson and Mr S R Pitt.

### Non-audit services

Before arranging for the provision of non-audit services, the directors satisfy themselves that the provision of these services by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.



## Directors' Report

The directors of Wellington Capital Limited, 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 year ended 30 June 2009.

### Responsible entity

The responsible entity of the Premium Income Fund is Wellington Capital Limited.

### Principal activities

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

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

The Fund did not have any employees during the year.

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

### Directors

The names of the directors of the company at any time during or since the end of the year are:

J J Hutson  
S R Pitt  
M A Greaves

The Directors in office at the date of this report, together with their qualifications, experience and special responsibilities are:

#### **J. J. Hutson, B.Comm, LL.B, Age 41**

Ms Hutson was appointed a director in June 2006. She is a member of the audit and risk management committee. Ms Hutson was a corporate lawyer and a partner in McCullough Robertson where she headed the Corporate Advisory Group. Ms Hutson has specialised in property based capital raising's and has provided advice in relation to more than 80 capital raising projects over the last 14 years. She is a member of the Companies' Committee of the Law Council of Australia and the Queensland Law Society.

#### **R. Pitt, CPA, FCIS, MAICD, Age 65**

Mr Pitt was appointed a director in May 2005. He is also a member of the audit and risk management committee. Mr Pitt is a Certified Practising Accountant and a fellow of the Chartered Institute of Company Secretaries. He has held senior operational and financial management positions with major corporations over many years and has a strong background in general and financial management, including balance sheet risk management.

#### **M A Greaves, LL.B., ACIS, Age 44**

Mrs Greaves was appointed a director in May 2008. She is a corporate lawyer and has wide experience in regulated and unregulated capital raisings, company stock exchange listings, property based managed investment schemes and general corporate legal and commercial matters.

### Company Secretary

The Company Secretary is Mrs Greaves.

### Registered Office

The registered office of Wellington Capital Limited and the fund is Level 22, 307 Queen Street, Brisbane, Queensland, 4000.

### 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 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 factors have also hindered the Fund's ability to sell properties where it is Mortgagee in Possession. These delays in cash inflows have prevented the recommencement of cash distributions to unit holders as had been forecast previously. However, the interest-bearing borrowings incurred previously by the Fund have now been repaid in full.

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

During the financial period, a net \$60 million was raised from asset sales or refinances. These funds were used to fully repay external borrowings of \$55 million and maintenance of fund assets, interest and operating expenses.

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 recommence cash distributions to unit holders as soon as possible.



## PREMIUM INCOME FUND

As a result of the full repayment of all borrowings and settlement of the outstanding creditor claims, the directors 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:

	2009 \$000's	2008 \$000's
Net operating profit/(loss) attributable to unit holders	(39,356)	(379,283)
<b>Distributions</b>		
Distribution paid and payable (\$000's)	-	40,083
Distribution (cents per unit)	-	4.9

### Unit holders' Funds

	30 June 2009 Number 000's	30 June 2008 Number 000's	30 June 2009 Liability \$000's	30 June 2008 Liability \$000's
<b>Net assets attributable to unitholders</b>				
Opening balance	755,147	880,091	335,782	880,091
Redemptions	(114)	(239,988)	(75)	(239,988)
Applications - cash	-	100,561	-	100,561
Applications - reinvestments	-	14,483	-	14,484
Net loss for the period to 16 October 2008	-	-	(1,367)	(419,366)
Reclassification as equity	(755,033)		(334,340)	
	(755,033)	(124,944)	(335,782)	(544,309)
<b>Closing balance</b>	-	755,147	-	335,782

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 effective from 16 October 2008, net assets attributable to unit holders have 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*. Full details are disclosed in the Statement of Changes in Equity in the Financial Report.

The Fund had total net assets valued at \$296.4 million as at 30 June 2009 (2008 - \$ 335.8 million). The basis for valuation of the Fund's assets is contained in Note 2 of the financial statements.

### Significant change in the state of affairs

The Fund continued to invest primarily in equity, debt instruments and mortgage loans during the year ended 30 June 2009.

The asset allocation of the Fund as at 30 June 2009 was as follows:

Mortgage Loans	73.6%
Managed Investment Schemes	1.2%
Alternative Investments	21.0%
Cash Investments	0.1%
Fixed Interest Investments	4.1%

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.

### Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Manager believes it would be likely to result in unreasonable prejudice to the Fund.





### 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 year.

### Matters subsequent to the end of the financial year

Since the end of the financial year, 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.

### Octaviar Limited

The Fund has issued claims against Octaviar Limited, Octaviar Pacific Finance Limited and Octaviar Administration Ltd seeking recovery of \$147.5 million, which it is alleged was improperly withdrawn from the Fund.

The Honourable Justice McMurdo in the Supreme Court on 31 July 2009 handed down judgement in relation to applications filed by the Public Trustee of Queensland on 19 February 2009 in relation to Octaviar Limited (In Administration) (Receivers and Managers Appointed) and Octaviar Administration Pty Ltd (In Administration).

Each Application sought orders under Sections 445D and 447A of the *Corporations Act 2001* (Cth) and particularly sought termination of the Deed of Company Arrangement for both companies.

His Honour Justice McMurdo ordered that:

- Each of the Deeds of Company Arrangement for Octaviar Limited and Octaviar Administration Pty Ltd be terminated; and
- Mr J L Grieg and Mr N Harwood of Deloitte (the current administrators of Octaviar Limited and Octaviar Administration Pty Ltd) be appointed provisional liquidators until further order of the Court.

It is unclear at this time what effect the appointment of liquidators to Octaviar Limited and Octaviar Administration Pty Ltd will have in relation to any potential recovery by the Premium Income Fund. However, the directors consider that it is unlikely that there will be any significant recovery from either entity and no allowance has been made in the Financial Statements for any potential recovery.

It is the intention of the director's to continue to actively pursue these claims on behalf of unit holders until all avenues for recovery have been exhausted.

### 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 Manager would be paid a management fee of 0.7% per annum on the value of funds under management. It was agreed by the Manager 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 year no management fees were charged to, or paid by, the Fund to the Manager.

### Environmental regulation

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

### Rounding of amounts

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 set out on page 8.

### Non-audit services

The Manager may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Fund are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The board of directors of the Manager have considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision on non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure that they do not impact the impartiality and objectivity of the auditor; and

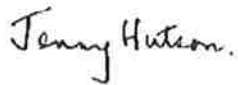


## PREMIUM INCOME FUND

- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

	2009 \$	2008 \$
<b>Non-audit services:</b>		
PricewaterhouseCoopers		
Preparation of report on asset values for Royal Bank of Scotland	107,030	-
<b>Total remuneration</b>	<b>107,030</b>	<b>-</b>

Signed in accordance with a resolution of the directors of Wellington Capital Limited.



Jenny Hutson  
Director  
Brisbane,  
26 August 2009



Robert Pitt  
Director



PricewaterhouseCoopers  
ABN 52 780 433 757

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## Auditor's Independence Declaration

As lead auditor for the Premium Income Fund for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

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

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



Timothy J Allman  
Partner  
PricewaterhouseCoopers

Brisbane  
26 August 2009

# Income Statement

FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$'000's	2008 \$'000's
<b>INVESTMENT INCOME</b>			
Interest income	3	3,032	61,633
Net loss on financial instruments designated as at fair value through profit or loss		(8,087)	(163,580)
Net realised loss on realisation of mortgage loans and other financial assets		(7,535)	-
Impairment of mortgage loans	11	(119)	(85,698)
Impairment of other financial assets	8	(20,673)	(171,693)
Investment income	4	157	6,162
Loan and other fees received	5	940	356
<b>Total investment income/(loss)</b>		<b>(32,285)</b>	<b>(352,820)</b>
<b>EXPENSES</b>			
Responsible entity's fees	15	-	6,098
Custodian and registry fees		928	1,410
Fees and commission expense		48	4,470
Auditor's remuneration	6	334	197
Finance costs (excluding distributions)		2,681	12,650
Legal and professional fees		2,997	353
Insurance		(536)	1,285
Administration expenses		619	-
<b>Total operating expenses</b>		<b>7,071</b>	<b>26,463</b>
<b>Net operating profit/(loss)</b>		<b>(39,356)</b>	<b>(379,283)</b>
<b>Financing costs attributable to unit holders</b>			
Distributions to unit holders	8	-	(40,083)
Transfer to unit holder liabilities		-	419,366
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>(39,356)</b>	<b>-</b>
<b>EARNINGS PER UNIT ATTRIBUTABLE TO UNIT HOLDERS</b>			
Basic earnings/(loss) per unit	21	(\$0.05)	(\$0.46)
Diluted earnings/(loss) per unit	21	(\$0.05)	(\$0.46)

The income statement should be read in conjunction with the accompanying notes.



## Balance Sheet

AS AT 30 JUNE 2009

	Note	2009 \$000's	2008 \$000's
<b>ASSETS</b>			
Cash and cash equivalents		445	1,259
Other financial assets	8	62,486	96,655
Receivables	9	109	693
Financial assets held at fair value through profit or loss	10	15,802	21,122
Mortgage loans	11	219,502	275,994
<b>TOTAL ASSETS</b>		<b>298,344</b>	<b>395,723</b>
<b>LIABILITIES</b>			
Payables	12	1,993	4,941
Interest bearing liabilities	13	-	55,000
<b>TOTAL LIABILITIES</b> (excluding net assets attributable to unit holders)		<b>1,993</b>	<b>59,941</b>
Net assets attributable to unit holders - liability		-	335,782
<b>TOTAL LIABILITIES</b>		<b>1,993</b>	<b>395,723</b>
<b>NET ASSETS</b>		<b>296,351</b>	<b>-</b>
<b>EQUITY</b>			
Contributed equity		334,340	-
Retained losses		(37,989)	-
<b>TOTAL EQUITY</b>		<b>296,351</b>	<b>-</b>

The balance sheet should be read in conjunction with the accompanying notes.



## Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$000's	2008 \$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest, fees and investment income received		4,747	23,503
Other cash payments in the course of business		(7,363)	(10,045)
Net cash inflow/(outflow) from operating activities	16	(2,616)	13,458
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Mortgage loan advances		(5,436)	(162,039)
Mortgage loan repayments		55,093	71,918
Purchase of investments in managed investment schemes		(2,131)	(82,787)
Redemptions of investments in managed investment schemes		349	178,540
Fixed interest securities purchased		-	(2,547)
Fixed interest securities redeemed		-	94,963
Other investments purchased		-	(190,810)
Other investments sold		11,694	76,933
Net cash inflow/(outflow) from investing activities		59,569	(15,829)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from applications by unit holders		-	115,044
Payments for redemptions by unit holders		(75)	(239,988)
Distributions paid		-	(45,828)
Proceeds from borrowings		-	200,000
Repayment of borrowings and borrowing costs		(57,692)	(157,650)
Net cash inflow/(outflow) from financing activities		(57,767)	(128,422)
Net increase/(decrease) in cash and cash equivalents		(814)	(130,793)
Cash and cash equivalents at beginning of year		1,259	132,052
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	445	1,259



## Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

	Issued Capital \$000's	Retained Earnings \$000's	Total \$000's
<b>YEAR ENDED 30 JUNE 2009</b>			
Balance at the beginning of the year	-	-	-
Net assets attributable to unit holders reclassified from liabilities to equity on 16 October 2008	334,340	-	334,340
Net profit/(loss) for the period 16 October 2008 to 30 June 2009	-	(37,989)	(37,989)
Balance at the end of the year	334,340	(37,989)	296,351

Unit holders resolved 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. Listing occurred on 16 October 2008. Accordingly, net assets attributable to unit holders have been reclassified in the Balance Sheet as equity rather than as a liability. This is in accordance with AASB 1.32 *Financial Instruments: Disclosure and Presentation*.



## 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.

The responsible entity of the Premium Income 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 financial statements were authorised for issue by the directors on 26 August 2009. The directors of the responsible entity have the power to amend and reissue the financial report.

### **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

#### **(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)**

The financial report of the Fund complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### **(b) Going concern**

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

During the year to 30 June 2009 the following significant events occurred:

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. The Fund's interest-bearing borrowings were repaid in full.

These occurrences have significantly reduced the future cash funding requirements of the Fund. In addition, the directors have assessed the future operating cash flow requirements and, following detailed forecasting, believe that the Fund will be able to satisfy all operating cash flow requirements from expected cash inflows.

As a result, the directors consider that the Fund is a going concern and the financial report has been prepared on a going concern basis. 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 obligations 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.

#### **(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 reduced significantly.

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





### (d) Financial instruments

#### (i) Classification

The Fund's investments are classified as at fair value through profit and loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are held for trading purposes and which may be sold. These are investments in fixed interest securities, equity instruments and units in managed investment schemes. Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.
- Loans and receivables  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and receivables are included in receivables in the balance sheet (note 11).

#### (ii) Recognition/derecognition

Investments are initially recognised at fair value plus transactions costs for all assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transactions costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

Financial assets and liabilities held at fair value through profit or loss.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the income statement.

##### **Fair value in an active market**

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

##### **Fair value in an inactive or unquoted market**

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used in a market at the balance sheet date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the balance sheet date. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Investments in other unlisted unit funds are recorded at the redemption value per unit as reported by the managers of such funds.

##### **Other financial assets**

Included in 'other financial assets' are loan assets which are measured initially at fair value (plus transaction costs directly attributable to the acquisition) and subsequently at amortised cost using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication of impairment exists, an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

##### **Mortgage loans**

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each balance date to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.



## **PREMIUM INCOME FUND**

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### **(e) Net assets attributable to Unit holders**

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. On 10 March 2008, the directors 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.

### **(f) Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### **(g) Revenue recognition**

#### ***Interest income***

Interest ceases to be accrued on non-performing loans when the directors consider that recovery of the full amount of principal and interest is unlikely. Interest income on performing loans is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income is recognised on a gross basis, including withholding tax, if any.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### ***Investment income***

Distributions from managed investment schemes and fixed securities are recognised on an accruals basis and is thus accounted for in the period to which the income relates.

Revenue from dividends and distributions from other investments is recognised at the earlier of declaration or receipt.

#### ***Realised profit and loss on sale***

The gain or loss on disposal of current investment assets is recognised as income or expense at the date that control of the asset passes to the buyer, usually the settlement date of the contract note.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

### **(h) Borrowing costs**

Borrowing costs incurred for the use of the revolving credit facility with external lenders are capitalised and spread over the life of the facility. Other borrowing costs are expensed.

### **(i) Income Tax**

Under current legislation, the Fund is not subject to income tax as unit holders are presently entitled to the income of the Fund. The benefit of imputation credits and foreign tax paid, if any, are passed on to unit holders where appropriate.

### **(j) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Fund's assessment of the impact of these new standards and interpretations is set out below.

#### ***(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 AASB 8 (effective from 1 January 2009)***

AASB 8 will result in a change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on the information the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Fund has decided not to early adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

#### ***(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective after 1 January 2009).***

The revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has



## PREMIUM INCOME FUND

reclassified items in the financial statements it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Fund intends to apply the revised standard from 1 July 2009.

(iii) AASB 2009-2 Amendments to AASB 7 Financial Instruments: disclosures (effective for annual periods beginning on or after 1 January 2008. Early adoption is permitted)

The IASB has issued amendments to IFRS 7 as part of a process of improving disclosures about financial instruments. These amendments require:

- Financial instruments that are measured at fair value to be disclosed within a 3-level hierarchy (ie level 1 – quoted market prices; level 2 – substantial market inputs; level 3 – unobservable inputs). This disclosure reflects the inputs used in measuring fair values; and
- Liquidity risk disclosures for derivative financial liabilities (ie interest rate swap) to be provided according to how those derivative financial liabilities are managed (ie contractual vs net basis); and
- Entities to disclose a maturity analysis for financial assets held for managing liquidity risk.

### (k) Segment reporting

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

### (l) Rounding of amounts

The Fund is an entity of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with that class order, unless otherwise indicated.

## NOTE 3. INTEREST INCOME

	Year Ended 30 June 2009			Year Ended 30 June 2008		
	Average Balance \$000's	Interest \$000's	Average rate %	Average Balance \$000's	Interest \$000's	Average rate %
Cash and deposits - domestic	852	23	2.70	40,974	3,954	9.65
Fixed interest securities - domestic	13,862	906	6.54	109,507	7,611	6.95
Interest - promissory notes	-	-	-	4,631	558	12.05
Mortgage loans	247,748	964	0.40	332,021	29,320	8.79
Asset backed investments	79,571	1,139	1.43	243,097	20,190	8.31
		3,032			61,633	

The contracted interest rates for mortgage loans range from 9.2% to 16.25% (2008: 9.2% to 16.25%). In accordance with the accounting policy in Note 2(g), the effective interest rate calculation may lead to a different amount of interest recorded in the income statement to the contracted interest rate.

The contracted interest rates for asset backed investments range from 9.0% to 12.25% (2008: 9.0% to 12.25%). In accordance with the accounting policy in Note 2(g), the effective interest rate calculation may lead to a different amount of interest recorded in the income statement to the contracted interest rate.

## NOTE 4. INVESTMENT INCOME

	Year Ended 30 June 2009			Year Ended 30 June 2008		
	Average Balance \$000's	Interest \$000's	Average rate %	Average Balance \$000's	Interest \$000's	Average rate %
Unrelated managed investment schemes	4,595	157	3.42	40,801	3,588	8.79
Related managed investment schemes	-	-	-	112,291	2,574	2.29
		157			6,162	

The contracted returns for investments in managed investment schemes range from 6.08% to 17.48%. (2008: 6.08% to 17.48%). In accordance with the accounting policy in Note 2 (g) the effective interest rate calculation may lead to a different amount of interest recorded in the income statement to the contracted interest rate.



## PREMIUM INCOME FUND

### NOTE 5. LOAN AND OTHER FEES RECEIVED

	2009 \$000's	2008 \$000's
Mortgage loan fees	280	349
Commission	-	7
Rent Income	34	-
Sundry income	626	-
	<b>940</b>	<b>356</b>

### NOTE 6. AUDITOR'S REMUNERATION

	2009 \$	2008 \$
<b>Audit services:</b>		
Audit services - PricewaterhouseCoopers	70,400	161,679
Compliance plan audit services - KPMG	32,500	36,129
<b>Non-audit services:</b>		
Other services - PricewaterhouseCoopers	107,030	-
<b>Total remuneration</b>	<b>209,930</b>	<b>197,808</b>

### NOTE 7. DISTRIBUTIONS TO UNITHOLDERS

#### Timing of distributions

Distributions were paid monthly from 1 July 2007 to 31 January 2008 at which time they were suspended.

The distributions were paid/payable as follows:

	YEAR ENDED			
	30 June 2009 \$000'S	30 June 2009 CPU	30 June 2008 \$000'S	30 June 2008 CPU
<b>Distributions paid or payable</b>				
Distributions paid	-	-	40,083	4.90
<b>Total Distributions</b>	<b>-</b>	<b>-</b>	<b>40,083</b>	<b>4.90</b>

The Fund had a contractual arrangement with Octaviar Limited (the "Octaviar Support Facility") whereby it could call upon funds from Octaviar Limited in the event the Fund did not earn sufficient income to meet distributions to investors at the target rates of return. On 26 February 2008, the Fund exercised its rights and called upon these funds. Due to the ongoing liquidation of Octaviar Limited, it is not possible to determine whether any recovery will be possible under this claim, nor the timing of any possible recovery. No amount has been recognised in the financial statements for any recovery as the directors consider that it is doubtful.

### NOTE 8. OTHER FINANCIAL ASSETS

	2009 \$000's	2008 \$000's
Asset backed investments	212,257	268,348
Provision for impairment	(149,771)	(171,693)
<b>Written down value of asset backed investments</b>	<b>62,486</b>	<b>96,655</b>



## PREMIUM INCOME FUND

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

	Note	Investment 2009 \$000's	Written down value \$000's	Investment 2008 \$000's	Written down value \$000's
Octaviar PECS Trust	(a)	-	-	5	1
Octaviar Pacific Finance Notes	(b)	23,790	-	23,790	-
Living & Leisure Australia Group	(c)	18,000	18,000	77,945	27,000
Octaviar Rap Limited	(d)	5,081	-	5,081	-
Octaviar Causeway Private Debt Opportunity Fund	(e)	15,477	8,877	21,300	14,700
Investments subject to participation agreements with Octaviar related entities	(f)	62,467	-	62,467	-
		<b>124,815</b>	<b>26,877</b>	<b>190,583</b>	<b>41,701</b>

### Basis of Valuation

- (a) The Octaviar PECS Trust has been liquidated.
- (b) The fund has a \$23M (2007 - \$23M) investment in interest bearing unsecured notes with Octaviar Pacific Finance Limited which matured on 31 March 2008. The notes were not repaid on maturity. Recovery of the investment was previously expected through a call on the Octaviar Support Facility. The directors now assess that recovery is unlikely due to the liquidation of the Octaviar Limited group.
- (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 Artic 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 in full satisfaction of amounts owing by Octaviar Living and Leisure Trust. The first instalment of \$10M was received during the financial year.
- (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) At 30 June 2009 \$15.4 million remained outstanding from Causeway Private Debt Opportunity Fund. Whilst the debt is secured by a fixed and floating charge over that 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. Of that amount \$5.8 million was paid during the current financial year. 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. All of these loans have matured are outstanding and are not performing. The Fund's priority ranks behind that of PAC it is considered by the directors that any recovery is unlikely.

Reconciliation of Provision for Impairment – Other Financial Assets	2009 \$000's	2008 \$000's
Balance at the beginning of the financial year	171,693	-
Provision for impairment recognised during the year	20,673	171,693
Assets realised during the year	(42,595)	-
Balance at the end of the financial year	<b>149,771</b>	<b>171,693</b>

### NOTE 9. RECEIVABLES

Trade receivables	109	392
Interest receivable	-	72
GST receivable	-	229
	<b>109</b>	<b>693</b>



## PREMIUM INCOME FUND

### NOTE 10. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

#### Unrelated Entities

Equity securities	3,591	5,599
Fixed interest securities	12,211	15,523
	<b>15,802</b>	<b>21,122</b>

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

	Note	Investment 2009 \$000's	Fair value 2009 \$000's	Investment 2008 \$000's	Fair value 2008 \$000's
Octaviar Blue Sky Development Trust	(a)	1,550	-	1,550	-
Octaviar Property Trust No 7	-	998	-	998	-
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 Octaviar Maximum Yield Fund has only three investments which have been valued as follows:

	Note	Investment 2009 \$000's	Fair Value 2009 \$000's	Investment 2008 \$000's	Fair Value 2008 \$000's
Q Deck (Qld) Pty Ltd	(c)	30,000	-	30,000	-
Octaviar Blue Sky Development Trust	(d)	45,098	-	45,098	-
Octaviar Pacific Finance Limited	(e)	1,634	-	9,902	-
		<b>76,732</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. A liquidator has been appointed to Q Deck (Qld) Pty Ltd and the security is currently being marketed for sale by the first mortgagee. The Fund's investment is second ranking and recovery of any 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 10 (a).

(e) Octaviar Pacific Finance Limited is based in New Zealand and is currently in financial difficulties. A moratorium has been agreed to by all of the secured creditors to allow some time for it to assess its future. It has claimed substantial amounts from its parent entity, Octaviar Limited which is now, itself, in liquidation. The value of any recovery which may be available to Octaviar Pacific Finance Limited from Octaviar Limited cannot be assessed accurately at this time. However it is clear that any recovery will be substantially less than the amount being claimed. The directors of the Manager have assessed that it is very doubtful that there will be any recovery by the Fund and under these circumstance consider it prudent to value this investment at \$Nil.

### NOTE 11. MORTGAGE LOANS

	2009 \$000's	2008 \$000's
Mortgage loans	283,040	361,692
Provision for impairment	(63,538)	(85,698)
<b>Written down value of mortgage loans</b>	<b>219,502</b>	<b>275,994</b>

Mortgage loans are secured by registered mortgages. The recoverability of mortgage loans has been unfavourably affected by the tightening in global credit markets and a general decline in property valuations across Australia. As loans fall into default, the interest charges cause the



## PREMIUM INCOME FUND

loan balance to increase beyond prudent property valuations. Interest is capitalised to the loans in accordance with the accounting policy at Note 2(f).

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, an impairment provision is recognised in the Financial Statements.

In assessing the recoverable amount of each mortgage loan, the directors, aided by their external advisors, have considered the following evidence wherever it is available:

- 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 prepared by the Directors are considered having regard to the critical accounting estimate Note 3 (c).

	2009 \$000's	2008 \$000's
<b>Reconciliation of Provision for Impairment – Mortgage Loans</b>		
Balance at the beginning of the financial year	85,698	-
Provision for impairment recognised during the year	119	85,698
Assets realised during the year	(22,279)	-
Balance at the end of the financial year	63,538	85,698

### NOTE 12. PAYABLES

Trade payables	926	927
Accrued expenses	965	3,947
GST payable	102	67
	<b>1,993</b>	<b>4,941</b>

### NOTE 13. INTEREST BEARING LIABILITIES

Bank loan	-	55,000
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### NOTE 14. FINANCIAL RISK MANAGEMENT

The Fund is exposed to credit risk, interest rate risk, market price risk and liquidity risk arising from the financial instruments it holds. The risk management policies employed by the Fund to manage these risks are discussed below.

#### Credit risk

Credit risk is the risk that one or more counter-parties will fail to perform their contractual obligations, either in whole or in part, under a contract which will lead to a financial loss to the Fund. The main credit risk for the Fund arises from its investment in debt securities such as mortgage loans.

As set out in the table below which shows the ageing analysis of past due loans, \$240.5 million of the mortgage loans are impaired and non-performing, whilst \$36.1 million are non-performing but not impaired. The directors continue to actively manage the loan portfolio on order to maximise the amounts recoverable from the underlying collateral held by the fund. This involves periodic review of the risk profile and status of each loan based on internal and external information available to the directors in order to assess the impact on the realisable value of the collateral held by the fund.



## PREMIUM INCOME FUND

	2009 \$'000's	2008 \$'000's
<b>Maximum exposure to credit risk:</b>		
Mortgage loans renegotiated	6,355	-
Non-performing mortgage loans with no impairment	36,138	-
Non-performing mortgage loans with impairment	240,547	361,692
<b>Total maximum exposure to credit risk</b>	<b>283,040</b>	<b>361,692</b>
Collateral held	219,502	275,994
Collateral held as Mortgagee in Possession	203,146	152,254
Collateral held comprises, first or second mortgages over subject property and personal guarantees from borrowers		
<b>Ageing Analysis:</b>		
<b>Non-performing mortgage loans with no impairment</b>		
Past due 1-3 months	-	-
Past due 4-6 months	-	-
Past due greater than 6 months	36,138	-
	<b>36,138</b>	-
<b>Non-performing mortgage loans with impairment</b>		
Past due 1-3 months	-	199,534
Past due 4-6 months	76,053	14,152
Past due greater than 6 months	164,494	148,006
	<b>240,547</b>	<b>361,692</b>

All of the above mortgage loans are past due and currently contractually payable within 12 months. The ultimate timing as to the realisation of collateral will be made so as to maximise the returns to unit holders and may occur after 12 months.

### Interest rate risk

The fund has no interest-bearing loans or liabilities and the only exposure it has to interest rate risk arises from cash equivalents with variable interest rates. If interest rates had changed by +/- 100 basis points from the year end rates, net profit would have varied by +/- \$4,450 respectively.

At balance date, The Fund's exposure to interest rate risk and the weighted average effective interest rate is set out in the following table.

2009	Weighted average interest rate (% pa)	Floating interest rate (\$'000's)	Fixed interest rate (\$'000's)	Non-interest bearing (\$'000's)	Total (\$'000's)
<b>Financial Assets</b>					
Cash and cash equivalents	2.43	445	-	-	445
Asset backed investments	-	-	44,486	18,000	62,486
Trade & other receivables	-	-	-	109	109
Managed investment schemes	-	-	3,591	-	3,591
Fixed interest securities	-	-	12,211	-	12,211
Mortgage loans	-	-	219,502	-	219,502 *
<b>Total Assets</b>		<b>445</b>	<b>279,790</b>	<b>18,109</b>	<b>298,344</b>
<b>Financial Liabilities</b>					
Trade & other payables	-	-	-	1,993	1,993
Interest bearing liabilities	-	-	-	-	-
Net assets attributable to Unitholders	-	-	-	-	-
<b>Total Liabilities</b>				<b>1,993</b>	<b>1,993</b>

\* Note - Mortgage loans continue to attract interest but, for accounting purposes, interest is not brought to account as the loans are not performing. (refer to Note 2 (g)).





## PREMIUM INCOME FUND

2008	Weighted average interest rate (% pa)	Floating interest rate (\$000's)	Fixed interest rate (\$000's)	Non-interest bearing (\$000's)	Total (\$000's)
<b>Financial Assets</b>					
Cash and cash equivalents	4.00	1,259	-	-	1,259
Asset backed investments	8.31	-	96,655	-	96,655
Trade & other receivables	-	-	-	693	693
Managed investment schemes	8.69	-	4,982	-	4,982
Fixed interest securities	6.95	-	16,140	-	16,140
Mortgage loans	8.79	-	275,994	-	275,994
Other assets	-	-	-	653	653
<b>Total Assets</b>		<b>1,259</b>	<b>393,771</b>	<b>693</b>	<b>395,723</b>
<b>Financial Liabilities</b>					
Trade & other payables	-	-	-	4,941	4,941
Interest bearing liabilities	12.80	-	55,000	-	55,000
Net assets attributable to Unitholders	-	-	-	335,782	335,782
<b>Total Liabilities</b>			<b>55,000</b>	<b>340,723</b>	<b>395,723</b>

### Market price risk

Market price risk is the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly on a total portfolio basis which includes the effect of derivatives. The Fund does not have a significant portfolio of equity securities and the price risk is immaterial in terms of the overall profit or loss of the Fund.

The Fund has no exposure to foreign currency risk.

### Liquidity and cash flow risk

Liquidity risk is the risk that the Fund will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through:

- (a) ensuring that there is no significant exposure to illiquid or thinly traded financial instruments, and
- (b) applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity.

2009	Less than 1 month \$000's	1 - 6 months \$000's	6-12 months \$000's	1 - 2 years \$000's
Trade & other payables	1,993	-	-	-
Interest bearing liabilities	-	-	-	-
Net assets attributable to unit holders	-	-	-	-
	<b>1,993</b>	<b>-</b>	<b>-</b>	<b>-</b>

Net assets attributable to unit holders have been reclassified as equity following the change to the Fund's constitution on 15 October 2008 which removed the redemption rights.



## PREMIUM INCOME FUND

2008	Less than 1 month \$000's	1 - 6 months \$000's	6-12 months \$000's	1 - 2 years \$000's
Trade & other payables	4,941	-	-	-
Interest bearing Liabilities	55,000	-	-	-
Net assets attributable to unit holders	-	-	277,262	58,520
	59,941	-	277,262	58,520

### NOTE 15. RELATED PARTY TRANSACTIONS

#### Responsible entity

The responsible entity of the Premium income Fund is Wellington Capital Limited which was appointed on 15 October 2008. During the period preceding that date, the responsible entity was Wellington Investment Management Limited.

#### Custodian

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

#### Key management personnel

Key management personnel ("KMP") are defined in *AASB 124: Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the fund. The Manager, Wellington Capital Limited meets the definition of KMP. There are no other KMP's.

Responsible entity's fees and other transactions	2009 \$	2008 \$
--	------------	------------

Management fees for the year by the Fund to the responsible entity.

- Octaviar Investment Management Limited	-	6,098,277
- Wellington Investment Management Limited	-	-
- Wellington Capital Limited	-	-

#### Aggregate amounts payable to the responsible entity at the reporting date

Responsible entity	
--------------------	--

- Octaviar Administration Pty Ltd	-	1,411,021
- Wellington Capital Limited	-	-

#### Related party schemes' unit holdings

Parties related to the Fund (including Wellington Capital Limited, its related parties and other schemes of which Wellington Capital Limited is the responsible entity), held units in the Fund as follows:

Year ended 30 June 2009	Number of units held opening (Units)	Number of units held closing (Units)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/ payable (\$)
Octaviar Wholesale Premium Income Fund	84,429,893	-	11.2	-	-	-

YEAR ENDED 30 JUNE 2008	Number of units held opening (Units)	Number of units held closing (Units)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/ payable (\$)
Octaviar Wholesale Premium Income Fund	75,712,331	84,429,893	11.2	8,717,562	-	3,837,035
Octaviar Cash Enhanced Fund	503,418	-	-	-	503,418	-

#### Key management personnel compensation

The directors have not received any remuneration from the Fund during the financial year.



## PREMIUM INCOME FUND

### NOTE 16. RECONCILIATION OF PROFIT/(LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2009 \$000's	2008 \$000's
Net profit/(loss)	(39,356)	(379,283)
Net unrealised (gain)/loss on financial instruments designated as fair value through profit or loss	5,682	281,331
Impairment of mortgage loans	30,732	85,698
Decrease/(increase) in receivables	671	8,938
(Decrease)/increase in payables	(345)	16,774
Net cash inflow/(outflow) from operating activities	(2,616)	13,458

#### Components of cash and cash equivalents

Cash as at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:

Cash and cash equivalents	445	1,259
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#### Non-cash financing and investing activities

During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan

	-	14,483
	-	14,483

### NOTE 17. SEGMENT INFORMATION

A segment is a distinguishable component of the Fund that is engaged either in a business segment or within a particular geographical segment, which are subject to risks and rewards that are different from those of other segments.

The Fund is organised into one main segment which operates solely in the business of investment management within Australia. Consequently, no segment reporting is provided in the Fund's financial statements.

The Fund operates in Australia and all directly held assets are predominantly Australian. Some of these assets may themselves hold overseas assets.

The Fund also invests in certain securities which are listed both on the Australian and international stock exchanges.

### NOTE 18. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the end of the financial year which have significantly affected the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

### NOTE 19. OCTAVIAR LIMITED SUPPORT FACILITY

On the 26 February 2008 the Fund exercised its rights under the Support Mechanism with Octaviar Ltd to call funds to ensure that the fund could meet any shortfall in the target distribution of the fund and/or to meet any fund expenses. Option Notices under the Octaviar Support Facility requesting \$50 million have been issued. Octaviar Limited has collapsed and was placed in provisional liquidation on 31 July 2009 following an action in the Supreme Court by the Public Trustee of Queensland. Accordingly, the directors assess the likelihood of payment of the full \$50 million to be materially uncertain.

### NOTE 20. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

Apart from matters mentioned in this report, the Fund has no other contingent liabilities or commitments.

### NOTE 21. EARNINGS PER UNIT

	2009	2008
Net profit/(loss) used in calculating basic and diluted earnings per unit (\$000's)	(39,356)	(379,283)
The weighted average number of units on issue (000's)	755,061	817,619
The weighted average number of potential units	-	-
The weighted average number of units and potential units used in calculating diluted earnings per unit (000's)	755,061	817,619

The fund was listed during the current financial year and accordingly no comparatives have been presented for 2008.



## **Directors' Declaration**

In the opinion of the directors of the responsible entity:

- (a) the financial statements and notes set out on pages 2 to 24 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 30 June 2009 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year 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.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001

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



Jenny Hutson  
Director



Robert Pitt  
Director

Brisbane  
26 August 2009



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

### Report on the financial report

We have audited the accompanying financial report of the Premium Income Fund (the Fund), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of the Wellington Capital Limited, the Responsible Entity, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



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

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

*Independence*


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

*Auditor's opinion*

In our opinion:

- (a) the financial report of the Premium Income Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Fund's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2 (a).

  
PricewaterhouseCoopers

  
Timothy J Allman  
Partner

Brisbane  
26 August 2009

**Supplementary Information required by the Stock Exchange Listing Rules**

Top 10 Unit Holders as at 14 August 2009

Name	Number of units held	% of Total
1. Perpetual Nominees Ltd <Wholesale Premium Income Fund>	84,429,893	11.18
2. Equity Trustees Ltd <Accumulation Account>	4,000,000	0.53
3. Equity Trustees Ltd <Allocated Pension Account>	4,000,000	0.53
4. Mercedes Holdings Pty Ltd	3,631,444	0.48
5. Max Investments (Aust) Pty Ltd	2,591,872	0.34
6. Gross S & T Pty Ltd <S & T Gross Superannuation Fund>	2,500,000	0.33
7. Mansted Enterprises Pty Ltd <Mansted Enterprises S/F A/C>	2,180,000	0.29
8. Labation Pty Ltd	2,078,488	0.28
9. Mr Robert Nichols & Mrs Patricia Nichols <Nichols Superannuation Fund>	1,965,960	0.26
10. Ms Michelle O'Garr <The O'Garr Superannuation Fund>	1,927,981	0.26

Comparative results, assets and liabilities for the last five years

	2009 \$000's	2008 \$000's	2007 \$000's	2006 \$000's	2005 \$000's
Net operating profit/(loss)	(39,356)	(379,283)	66,907	53,804	38,974
Assets	298,344	395,723	886,664	711,587	590,299
Liabilities (excluding net assets attributable to unit holders)	1,993	59,941	6,573	6,792	19,082



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# Wellington

PREMIUM INCOME FUND

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