

# Premium Income Fund

## Investor Update: April 2012



Welcome to the Investor Update for the Premium Income Fund. This update outlines key details about the Fund's activities for the period January to April 2012.

During this period, the Fund has sold various properties over which it has security, including Lane Cove and Mackay, and a residential block of land at Forest Resort. In addition, an apartment in the Chifley Wollongong complex has been sold. These sales, together with the sale of the Fund's investments in various securities, enabled a further cash payment to be made to Unitholders of \$12.46 million or 1.5 cents per Unit on 14 March 2012.



The Fund's Half-Yearly Financial Report for the period ending 31 December 2011 was released on 15 March 2012. Net assets of the Fund were \$202.7 million, which equates to a net asset backing of 24.4 cents per unit.

I look forward to continuing to implement the Fund strategy for the benefit of Unitholders.

Kind regards

**Jenny Hutson**  
**Managing Director**  
**Wellington Capital Limited**

*Investor Updates are mailed to Unitholders for the periods ending April, August and December, and include a restatement of information released to the market by way of NSX releases made in the period to assist the Fund's many Unitholders who do not have internet or email access.*

### Key events

- Cash payment of \$12.46 million (comprising 1.5 cents per unit) made to all Unitholders on 14 March 2012.
- Half Yearly Financial Report released on 15 March 2012 confirming net asset backing of 24.4 cents per unit.
- Sale of security properties and Fund investments in asset backed investment and property managed investment scheme portfolios.

### Half-yearly financial report for period ending 31 December 2011

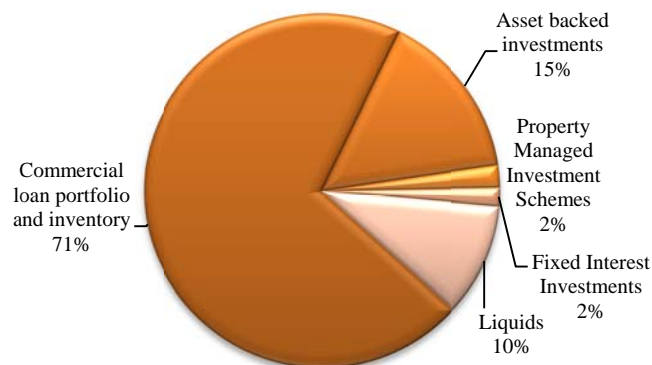
Wellington Capital Limited as responsible entity of the Premium Income Fund advises that lodgement of the Fund's half yearly accounts for the period ended 31 December 2011 has occurred.

Net assets of the Fund as at 31 December 2011 were \$202.7 million.

This equates to a net asset backing of 24.4 cents per unit.

Hard copies of the report will be provided to Unitholders on request to the Wellington Hotline on 1300 854 885 or by email to [investorrelations@newpif.com.au](mailto:investorrelations@newpif.com.au).

### Fund asset diversification as at 31 December 2011



*\*Asset allocation excluding portfolio contingency as at 31 December 2011.*

### Fund makes \$12.46 million cash payment to Unitholders

Wellington Capital Limited as responsible entity of the Premium Income Fund is pleased to announce the Fund made a \$12.46 million cash payment to its Unitholders representing 1.5 cents per unit on 14 March 2012.

Managing Director, Jenny Hutson said: 'This payment has been made possible primarily through recent sales of security assets held by the Fund.'

Record Date	Payment Date	Payment Rate
7 March 2012	14 March 2012	1.5 cents per unit held

**All Unitholders who held units in the Premium Income Fund as at the Record Date received a 1.5 cent per unit payment on 14 March 2012.**

### How was the payment made?

The payment was made by way of direct credit to Unitholders' nominated accounts on 14 March 2012. Where a Unitholder did not have these details recorded with the Fund's registry, a cheque was issued.

Direct credit notifications must be received in writing. Unitholders who wish to change or advise their bank account details should complete a direct credit form and return it to the Fund's registry. This form can be downloaded from the Fund's registry website [www.armstrongregistries.com.au](http://www.armstrongregistries.com.au), or can be posted/emailed on request by contacting Wellington Capital on 1300 854 885 or by email to [investorrelations@newpif.com.au](mailto:investorrelations@newpif.com.au).



## Commercial Loan Portfolio

### Mortgagee in Possession Sale – Lane Cove

Wellington Capital Limited as responsible entity of the Premium Income Fund is pleased to announce that the sale of the security asset held at Lane Cove was settled on 28 February 2012.

The Fund was mortgagee in possession of the property, which comprised 294 strata titled storage units located at Lane Cove, New South Wales.

The purchaser is the Abacus Storage Property Trust. On settlement, \$0.6 million was paid to the Fund. A further \$5.4 million will be paid 24 months after settlement. The payment obligation is supported by a guarantee from Abacus Storage Funds Management Limited. The carrying value of the loan as at 30 June 2011 was \$5 million.

Managing Director, Jenny Hutson said, *'This property originally formed part of the security for two storage properties in New South Wales. One of those properties was sold to reduce the Fund's debt in 2009. This unconditional contract has followed a number of marketing campaigns for the property. The sale is to the adjacent owner who is a significant and successful storage operator.'*



### Mortgagee in Possession Sale - Kooralbyn Resort

Wellington Capital Limited as responsible entity of the Premium Income Fund advises that an extension of the conditions date was granted on 23 January 2012 to the purchaser of Kooralbyn Resort so that the purchaser can continue finalisation of due diligence for the property.

#### Key dates

Description	Revised Date
Conditions Date	May 2012
Settlement Date	January 2013

The transaction is anticipated to return net proceeds of approximately \$22 million to the Premium Income Fund.

The asset is significant and complex and due diligence is taking the proposed purchaser longer than originally anticipated.

It remains the incoming purchaser's intention to undertake a full refurbishment of the property and re-open it as a premier, 5 star tourist destination and seek to optimise the residential opportunity within the resort area over time.



## Asset Sales

Wellington Capital Limited as responsible entity of the Premium Income Fund is pleased to advise that it has sold the following security assets held by the Premium Income Fund.

### Nexus Bonds Fixed Securities

The Premium Income Fund has held an investment in Nexus Bonds Fixed Securities (ASX:NXBHD) since 2005. The investment is a structured Collateralised Debt Obligation managed by Nexus Bonds Limited. The investment has not made any distributions since 2008 and has been thinly traded on the ASX.

Proceeds from the sale were \$3.6 million.

### Apartment sale, Chifley Residences, Wollongong New South Wales

Settlement has occurred in relation to one penthouse level serviced apartment in the Chifley Wollongong complex. Proceeds were \$900,000.

### Residential land sale, Creswick, Victoria (mortgagee in possession)

Settlement has occurred in relation to a residential block of land within the residential development at Forest Resort.

The residential development comprises 11 stages and forms part of the underlying security property located at Forest Resort, Creswick.

Proceeds from the sale are \$141,000. The remaining residential stages continue to be marketed for sale, together with the resort complex en bloc.



## Asset backed investments

### Sale of Living and Leisure (Australia) Limited securities

Wellington Capital Limited as responsible entity of the Premium Income Fund is pleased to advise that the Fund's investment in Living and Leisure (Australia) Limited (ASX:LLA) was sold on 23 December 2011.

The Premium Income Fund held 8.5 million securities in LLA. Those securities have been sold on the ASX, with a return to the Fund of \$416,000.

### Sale of Mezzanine C Debt – Living & Leisure Australia

Wellington Capital Limited as responsible entity of the Premium Income Fund advises that the Mezzanine C debt advanced to Living and Leisure (Australia) Limited was sold on 22 December 2011 to an international institution.

The Premium Income Fund is held by way of a Mezzanine Debt facility with Living & Leisure (Australia) Limited. The facility was due to mature in 2014.

Wellington Capital as responsible entity of the Premium Income Fund has undertaken a campaign with the assistance of independent advisers, Telopea Capital Partners, to identify potential purchasers of the Mezzanine C debt facility owed to the Premium Income Fund by Living & Leisure (Australia) Limited. The campaign has involved a range of interested parties.

The Premium Income Fund has finalised a transaction which has seen the debt owing by Living & Leisure (Australia) Limited sold. Proceeds are \$15 million.

Managing Director, Jenny Hutson said: *'I am pleased that we have been able to procure a purchaser for this illiquid asset through our corporate advisers. The debt due for repayment in 2014 having a face value of \$18 million has been sold today for \$15 million. The transaction represents a positive outcome for Unitholders.'*

## Property Managed Investment Schemes

### Sale of Centro Retail Australia Securities

Wellington Capital Limited as responsible entity of the Premium Income Fund is pleased to advise that the Fund's investment in Centro Retail Australia (ASX:CRF) was sold on 23 December 2011.

The Premium Income Fund was previously a holder of units in the Centro Direct Property Fund. The Centro Direct Property Fund was an illiquid property managed investment scheme. Redemptions have not been possible from the Centro Direct Property Fund since December 2007.

The managers of the Centro Direct Property Fund recommended an aggregation of a number of Centro unlisted funds, whereby investors could redeem their holdings for securities in a listed vehicle, Centro Retail Australia, together with unlisted securities in a class action fund. That aggregation has now taken place.

As a result, the Premium Income Fund elected to redeem its unlisted, illiquid units in the Centro Direct Property Fund in

return for listed stapled securities in Centro Retail Australia. These units have been sold on the ASX, with a return to the Fund of approximately \$834,000.

In addition, the Premium Income Fund continues to hold 399,569 Class Action True Up Securities. These securities entitle the Premium Income Fund as holder to the issue of additional New Stapled Securities should Centro Retail Limited and Centro Retail Trust be found liable to pay certain amounts in respect of the Centro Retail Group Class Action Litigation which has been brought against them.

Managing Director, Jenny Hutson said: *'I am pleased that, through the formation and listing of Centro Retail Australia, the Fund has been able to realise an asset which has been illiquid for a number of years'.*

## Litigation Update




There are a number of legal proceedings and other recovery actions regarding the former responsible entity's investment decisions and the loan drawdown in 2007.

### ACN 101 634 146 Pty Ltd (formerly Management Investments Pty Ltd)

On 10 February 2012, the former responsible entity was placed into liquidation by resolution of its members.

Barry Hamilton of BK Hamilton & Associates is the appointed liquidator of the company.

As a result, the following litigation is currently in the hands of the liquidator:

-  Management Investments Limited & Ors ats Mercedes Holdings Pty Ltd – Federal Court Proceedings NSD324/2009;
-  Management Investments Limited & Ors ats Australian Securities and Investments Commission – Supreme Court Proceedings 12122/2009;
-  Perpetual Nominees Limited v Rytelle Pty Ltd & Ors - Supreme Court of Victoria Proceedings 6858/2009 – with regard to the cross claim component by Rytelle & Ors against the former responsible entity.

### Class Action – New South Wales Federal Court Proceedings NSD324/2009

Appeals against the decision of Justice Perram made in December 2011 have been lodged by a number of the Respondents. These appeals have not yet been heard.

The party to this litigation is the former responsible entity, now known as ACN 101 634 146 Pty Ltd. As a result this litigation is in the hands of the liquidator of that Company. Neither Wellington Capital Limited nor the Premium Income Fund are parties to this litigation.

Further updates will be provided as the matter progresses.

### ASIC v King, White & Ors – Queensland Supreme Court Proceedings BS12122/2009

ASIC has filed a Third Further Amended Statement of Claim in these proceedings.





The party to this litigation is the former responsible entity, now known as ACN 101 634 146 Pty Ltd. As a result this litigation is in the hands of the liquidator of that Company. Neither Wellington Capital Limited nor the Premium Income Fund are parties to this litigation.

### Federal Court Proceedings QUD140 of 2011

On 14 February 2012, His Honour Justice Dowsett of the Federal Court made orders in relation to costs arising from the Federal Court Proceedings 140 of 2011 brought by Wellington Capital Limited as responsible entity of the Premium Income Fund in respect of the meeting convened by the Premium Income Fund Action Group Incorporated and the requisitioning members in 2011.

His Honour Justice Dowsett ordered that the Premium Income Fund Action Group Incorporated, Charles Hodges and Peter Grenadier being the Defendants in the proceeding, pay 75% of the costs of Wellington Capital Limited as responsible entity of the Premium Income Fund.

His Honour did not make any costs order against Wellington Capital Limited as responsible entity of the Premium Income Fund.

### Auditor

#### Auditor Clarification

Wellington Capital Limited as responsible entity of the Premium Income Fund advises that the Australian Securities and Investments Commission has indicated that it will not be consenting to the resignation nor removal of PricewaterhouseCoopers as scheme auditor of the Premium Income Fund at this time.

ASIC has indicated that PricewaterhouseCoopers can reapply to ASIC before the next financial statements are lodged. PricewaterhouseCoopers remains the auditor of the Premium Income Fund and would be responsible for the audit review of the Fund's financial statements for the period ending 31 December 2011. These financial statements were released to the market on 15 March 2012.

### Investor Advisory Committee

#### Contacting the Investor Advisory Committee

The Investor Advisory Committee can be contacted by email or by post:

[iac@wellcap.com.au](mailto:iac@wellcap.com.au)

Investor Advisory Committee  
Premium Income Fund  
Wellington Capital Limited  
Reply Paid 694  
BRISBANE QLD 4001

#### Investor Advisory Committee Meeting

The Investor Advisory Committee met with the Fund's management team in April 2012 to discuss correspondence received since the Committee's last report. The Committee's report is set out as follows:

*"The committee members met Fund management to discuss various issues relating to the management of the Fund and other matters of interest and relevance to Unitholders, including all current correspondence received by the committee."*

#### Legal proceedings

*We discussed progress on the various legal proceedings involving the Fund and in particular, the class action. Wellington explained that the litigation would take significant time to be resolved, but confirmed that it would continue to do everything possible to obtain the best outcome for Unitholders."*

#### Cash payment

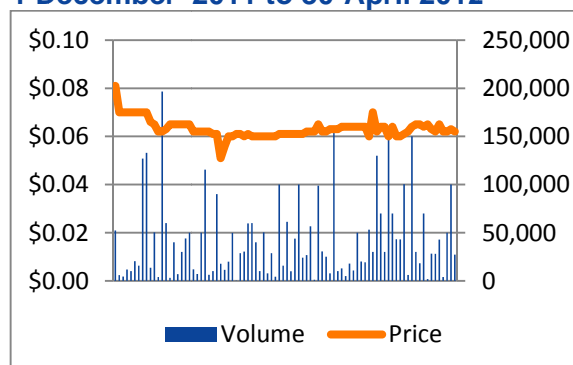
*The committee sought clarification regarding timing of future cash payments to Unitholders. Wellington advised that the timing of the next payment was uncertain, and would depend on security assets being sold."*

### National Stock Exchange Update

A summary of trading activity from 1 December 2011 to 30 April 2012 is set out below:

High	Low	Volume
8.1 cents	5.1 cents	3,768,578

### Trading summary (NSX:PIN) 1 December 2011 to 30 April 2012



#### Contact | Premium Income Fund

**Hotline:** 1300 854 885 [+617 3231 0000]  
**Fax:** 1300 854 893 [+617 3231 0093]  
**Email:** [investorrelations@newpif.com.au](mailto:investorrelations@newpif.com.au)  
**Web:** [www.wellcap.com.au](http://www.wellcap.com.au)

Wellington Capital Limited ACN 114 248 458 AFSL 291 562

