

# Premium Income Fund

NSX Release: 27 June 2012



## Compliance Plan Amendment

The Directors of Wellington Capital Limited as responsible entity of the Premium Income Fund have reviewed the Fund's compliance plan, in particular the procedures for assessing the carrying value of scheme assets. A copy of the Variation to the Compliance Plan for the Fund as lodged with ASIC is attached.

In resolving to amend the plan, consideration has been given to industry best practice, Australian Accounting Standards and the best interests of Unitholders and the relevant methodology for each of the Fund's current asset classes, being:

### Current Asset Classes

#### Mortgage Loans

Asset Backed investments

#### Fixed interest investments

Cash/Liquids

#### Property managed investments

The Fund is also authorised to invest in direct real property but does not currently have any assets in this class, nor has it held assets of this nature since Wellington Capital Limited became responsible entity of the Fund.

### For further information please contact:

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## **AMENDMENT TO COMPLIANCE PLAN**

**WELLINGTON CAPITAL LIMITED ACN 114 248 458 AFSL 291 562**

**AS RESPONSIBLE ENTITY FOR**

**PREMIUM INCOME FUND ARSN 090 687 577**

# COMPLIANCE PLAN AMENDMENT

Made on 27 June 2012

**BY WELLINGTON CAPITAL LIMITED ACN 114 248 458 AS RESPONSIBLE ENTITY OF THE PREMIUM INCOME FUND ARSN 090 687 577** of Level 22, 307 Queen Street, Brisbane, Queensland, 4000

(‘Manager’)

## BACKGROUND

- A. The Compliance Plan was lodged with ASIC on 24 November 1999.
- B. Amendments to the Compliance Plan were lodged with ASIC on 24 November 1999, 12 April 2001, 28 May 2001, 1 November 2002, 14 November 2002, 23 December 2002, 2 July 2004, 1 November 2005, 22 December 2005, 1 October 2008, 27 January 2009, 5 October 2009, 10 December 2009 and 7 March 2012.
- C. Clause 3.5 of the Compliance Plan and the Corporations Act authorises the Manager to amend the Compliance Plan.

## OPERATIVE PROVISIONS

### 1. DEFINITIONS

In this Amendment to Compliance Plan, except to the extent the context otherwise requires, all definitions and interpretations have the same meaning and effect as the definitions and interpretation provisions in the Premium Income Fund Compliance Plan lodged with ASIC on 1 October 2008 and any amendment thereto.

### 2. CLAUSE 4.8

Clause 4.8 is deleted in its entirety and replaced with the following:

#### ‘4.8 Valuation

Responsible Officer: FM

Frequency of Reporting: No less than every 6 months

Source of Obligation: s601FC(1)(j) of Corporations Act

| Function  | Risks  | Procedures  | Monitoring of procedure  |
|---|--|---|--|
| To ensure that the value of securities which are Scheme Assets is assessed objectively at regular intervals and | Value is not assessed objectively at regular intervals and the insurance cover of the Scheme becomes inadequate. | Procedures for assessment of value of assets unless otherwise stated in the Constitution are consistent with AASB 139 or other applicable accounting standards.<br><br>The records of the RE accurately reflect value changes of Scheme Assets in | The FD reviews and certifies at least annually that accounting valuation procedures are consistent with applicable accounting standards and are appropriate for the Scheme's asset types.<br><br>The FD certifies quarterly that procedures for the accounting and tax valuation of assets |



| Function  | Risks  | Procedures  | Monitoring of procedure  |
|---|--|---|--|
| in a manner appropriate to the nature of the assets and in accordance with the Corporations Act, AASB 139 or other applicable accounting standards. | <p>Breach of the Constitution or the Corporations Act or AASB 139 or other applicable accounting standards.</p> <p>Value is not assessed objectively and regularly and the Scheme's records of its securities become incorrect/unreliable.</p> | <p>a timely manner.</p> <p><b>Financial instruments</b></p> <p>Financial Instruments are designated at fair value through profit and loss upon initial recognition. These include financial assets that are held for trading purposes and which may be sold. These are investments and fixed interest securities, equity instruments and units in management investments schemes. Financial assets and financial liabilities designated at fair value through profit and loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's policy is for the RE to evaluate the information about these financial assets on a fair value basis together with other related financial information.</p> <p><b>Mortgage Loans and Other Financial Instruments</b></p> <p>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 Scheme provides money, goods or services directly to a debtor with no intention of selling the receivables.</p> <p><b>Recognition/derecognition</b></p> <p>The Scheme recognises financial assets and financial liabilities on the date the Scheme becomes party to the contractual agreement and recognises changes in fair value of the financial assets or financial liabilities from</p> | <p>have been adhered to and Scheme Assets are properly identified by nature and type.</p> <p>The FD reviews and certifies at least annually that valuation procedures are consistent with the Constitution, Corporations Act, Australian Accounting Standards or accepted industry standards and are appropriate for the Scheme's asset types.</p> |

| Function | Risks | Procedures   | Monitoring of procedure |
|----------|-------|--|-------------------------|
|          |       | <p>this date.</p> <p>Investments are derecognised when the right to receive cash flows from the investments has expired or the Scheme has transferred substantially all risks and rewards of ownership.</p> <p>Investments are initially recognised at fair value plus transaction costs for all assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transactions costs are expensed in the Consolidated Statement of Comprehensive Income.</p> <p><b>Measurement</b></p> <p>Financial instruments are held at fair value through profit or loss.</p> <p><b>Mortgage loans</b></p> <p>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. These assets are reviewed at each balance date to determine whether there is objective evidence of impairment.</p> <p>If evidence of impairment exists, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income 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.</p> <p>If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised</p> |                         |

| Function | Risks | Procedures  | Monitoring of procedure |
|----------|-------|---|-------------------------|
|          |       | <p>cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Statement of Comprehensive Income.</p> <p><b>Other financial assets</b></p> <p>Included in 'Other financial assets' are asset backed investments 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. These 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 Statement of Comprehensive Income 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.</p> <p>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 Statement of Comprehensive Income.</p> <p><b>Fair value in an active market</b></p> <p>Financial assets are priced at current bid prices, while financial liabilities are priced</p> |                         |



| Function  | Risks  | Procedures  | Monitoring of procedure  |
|---|--|---|--|
|   |  | at current asking prices.   |  |
|   |  | <b>Fair value in an inactive or unquoted market</b>   |  |
|   |  | 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 such as on ASX or similar.   |  |
| To ensure that the value of direct real property which are Scheme Assets is assessed objectively at regular intervals and in a manner appropriate to the nature of the assets and in accordance with the Corporations Act, AASB 140 or other applicable accounting standards. | <p>Value is not assessed objectively at regular intervals and the insurance cover of the Scheme becomes inadequate.</p> <p>Breach of the Constitution or the Corporations Act or AASB 140 of other applicable accounting standards.</p> <p>Value is not assessed objectively and regularly and the Scheme's records of its direct real property become incorrect/unreliable.</p> | <p>Procedures for assessment of value of direct real property assets unless otherwise stated in the Constitution are consistent with all other applicable accounting standards.</p> <p>The value of the real property must be assessed no less than annually.</p> <p>Valuations must be undertaken within 3 years of the date on which the RE first completes a purchase of a real property and thereafter at least once every 3 years.</p> <p>The records of the RE accurately reflect value changes of direct real property which are Scheme Assets in a timely manner.</p> <p>Valuers will be selected by the MD or FD from a panel of valuers pre-selected on the basis of qualification and experience. Valuers must be independent of the RE.</p> <p>The MD or FD will establish and maintain lines of communication with panel</p> | <p>Board must review the panel of valuers on an annual basis.</p> <p>MD or FD is to pass any valuation received to the CO who will review the valuation and include the valuation in the next report to the Committee.</p> |

| Function | Risks | Procedures  | Monitoring of procedure |
|----------|-------|---|-------------------------|
|          |       | <p>valuers with a view to obtaining information on a regular basis as to trends and fluctuations in property valuations generally. These are indicators that the property may need to be re-valued.</p> <p>The instructions to the valuer will be prepared by the MD or FD in accordance with the Scheme's Constitution.</p> <p>Valuations will be considered when preparing the financial statements of the Scheme. New valuations must be reflected in the Scheme Accounts within one month of receipt from a valuer.</p> |                         |

SIGNED BY THE DIRECTORS



JENNIFER JOAN HUTSON



MARY-ANNE GREAVES



SYDNEY ROBERT PITT