



Wellington

Half Year Financial Report

Premium Income Fund

ARSN 090 687 577

for the half-year ended 31 December 2012

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This financial report covers the Premium Income Fund as a consolidated entity.

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

This half-year financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made in respect of the Premium Income Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.



Directors' Report

The Directors of Wellington Capital Limited, the responsible entity of the Premium Income Fund, present their report together with the consolidated financial report of the Premium Income Fund ('the Fund') for the half-year ended 31 December 2012.

Responsible entity

The responsible entity of the Premium Income Fund is Wellington Capital Limited (ABN 45 114 248 458 and Australian Financial Services Licence No. 291562). The registered office of Wellington Capital Limited is located at Level 22, 307 Queen Street, Brisbane, QLD, 4000.

Directors

The names of the Directors of Wellington Capital Limited during the half-year and until the date of this report are:

- Jennifer Hutson
- Robert Pitt
- Mary-Anne Greaves

Review and results of operations

The primary assets of the Fund are mortgage loans made to borrowers. Where the borrowers had defaulted the Fund took steps to secure the underlying security and became mortgagee in possession of the underlying security properties in the mortgage loan asset class. As reported in previous financial reports, this asset class continued to suffer the effects of severely affected valuation and recoverability issues.

On 5 September 2012, Wellington Capital Limited as responsible entity for the Premium Income Fund announced that Asset Resolution Limited ('ARL') had acquired assets from the Fund which had a carrying value as at 30 June 2012 of \$55.4m.

The Fund received 830,532,768 shares in ARL in consideration for the assignment and transfers which it then immediately transferred to the Unitholders in the Fund in proportion to their unitholding as at 4 September 2012. This means that each unitholder in the Fund at that date became a shareholder in ARL. The transaction with ARL was negotiated and effected on the basis of 31 December 2011 financial accounts and based on the carrying values at that date represented approximately 40% of the value of the Fund. ARL is completely independent and is not related to Wellington Capital Limited or any of its Directors.

On 19 December 2012, Wellington Capital Limited as responsible entity for the Premium Income Fund announced that it had sold to ARL additional assets comprising the transfer by assignment of the charges over six of the Forest Resort group of companies held as security in relation to the Forest Resort group loans. The Fund received 150,025,399 shares in ARL in consideration for the assignment of the charges. Following this share issue ARL has 980,558,167 shares on issue of which 84.7% were distributed in specie to unitholders of the Fund as at 4 September 2012 and 15.3% are held by Perpetual Nominees Limited as custodian for the Premium Income Fund.

A change in market conditions on some individual assets within the asset backed securities, managed investment schemes and fixed interest securities has resulted in realisation of some of these assets.

It is the Directors' intention to continue to manage the remaining asset portfolio and cash flows so as to maximise the net asset backing of a unit thereby maximising returns to Unitholders.



Directors Report (continued)

Consolidated results

The performance of the Fund, as represented by the consolidated results of its operations and reported in the Consolidated Statement of Comprehensive Income, was as follows:

	Half-year to 31 December 2012 \$000's	Half-year to 31 December 2011 \$000's
Net Loss for the half year	(16,244)	(15,067)
Cash payments:		
Cash paid	4,983	8,305
Cash payment (cents per unit)	0.6	1.0

On 19 December 2012, the Fund made a 0.6 cent per unit cash payment to Unitholders.

At 31 December 2012 the asset allocation of the Fund was as follows:

	31 December 2012	30 June 2012
Mortgage Loans	5.6%	50.4%
Management Investment Schemes	9.4%	3.4%
Alternative Investments	69.9%	32.5%
Cash Investments	15.0%	13.6%
Fixed Interest Investments	0.1%	0.1%

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

Interests of the responsible entity

Neither the responsible entity, nor any of its associates, held any interests in the Fund during, or since, the end of the financial period.

Matters subsequent to the end of the financial period

On 28 February 2013, the Premium Income Fund realised the Fund's 57.5% interest in the Harbour Street Development Trust ('HST') that owns the 168 room Chifley Wollongong Hotel.

The Premium Income Fund became mortgagee in possession of the Wollongong Hotel during 2008, after the borrowers defaulted on the finance facility provided by the Fund. At the time the Fund took possession, the hotel was incomplete. The Fund sold the asset to Harbour Street Developments Pty Ltd and worked with it to complete the construction of the Hotel and the adjacent apartments which were also part of the project.

The Fund has realised its final 57.5% of the units in HST for \$8.9 million, payable over time. The first payment for \$1.6 million was received on 28 February 2013. A further \$3 million is to be received in June 2014, with the remaining \$4.7 million due in December 2014. The payment obligation is supported by a caveat over the hotel title and power of attorney giving the Fund power to sell the hotel if payments are not received in accordance with the agreement.

Since the end of the financial period, other than set out above no circumstances have arisen which have materially affected, or which may materially affect, the operations of the entity, the results of those operations or the state of affairs of the entity in future periods not otherwise dealt with in the financial report.



Directors Report (continued)

Rounding of amounts to the nearest thousand dollars

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

Auditor's Independence Declaration

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

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



Jennifer Hutson
Director



Mary-Anne Greaves
Director

Brisbane

1 March 2013



Auditors Independence Declaration



PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS

PRIVATE AND CONFIDENTIAL

The Directors of Wellington Capital Limited as
Responsible Entity for the Premium Income Fund
Level 22, 307 Queen Street
BRISBANE QLD 4001

Auditor's Independence Declaration

As lead auditor for the review of the Premium Income Fund for the year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of the Premium Income Fund and the entities it controlled during the period.

PITCHER PARTNERS

NIGEL BATTERS
Partner

Brisbane, Queensland
1 March 2013

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Independent member of Baker Tilly International

JR The partners of Johnston Rorke changed their
trading name to Pitcher Partners on 1 December 2012.



Consolidated Statement of Comprehensive Income

For the Half-Year Ended 31 December 2012

	Half-year ended	
	31 December 2012 \$000's	31 December 2011 \$000's
REVENUE AND INVESTMENT INCOME		
Development and construction revenue	557	1,426
Interest income	435	1,933
Net gain/(loss) on financial instruments designated as at fair value through profit or loss	(30)	4,133
Net loss on other financial assets	(11,124)	(7,307)
Net loss on mortgage loans	(2,571)	(12,297)
Investment income	1	15
Other operating income	3,336	1,373
Total revenues and investment income / (loss)	(9,396)	(10,724)
EXPENSES		
Cost of development, construction and property sales	1,044	2,622
Responsible entity's fees	373	137
Custodian and registry fees	279	269
Fees and commission expense	10	231
Auditor's remuneration	373	70
Finance costs	332	-
Consulting, compliance and professional fees	3,158	546
Insurance	55	107
Stock exchange listing fees	26	26
Other direct Fund expenses	1,198	335
Total expenses	6,848	4,343
NET LOSS FOR THE HALF YEAR	(16,244)	(15,067)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE LOSS	(16,244)	(15,067)
Profit / (loss) attributable to:		
Unitholders	(15,893)	(14,509)
Non-controlling interest	(351)	(558)
	(16,244)	(15,067)
EARNINGS PER UNIT		
Basic and diluted earnings / (loss) per unit	(0.02)	(0.02)

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



Consolidated Balance Sheet

As at 31 December 2012

	Note	31 December 2012 \$'000's	30 June 2012 \$'000's
ASSETS			
Cash and cash equivalents		3,156	12,071
Receivables		3,995	5,149
Other financial assets	3	9,930	21,368
Financial assets held at fair value through profit or loss	4	9,197	4,606
Inventory		18,813	19,826
Mortgage loans	5	2,688	63,909
TOTAL ASSETS		47,779	126,929
LIABILITIES			
Payables		3,913	6,023
Loans		10,012	10,420
TOTAL LIABILITIES		13,925	16,443
NET ASSETS		33,854	110,486
EQUITY			
Contributed equity		245,638	306,026
Accumulated losses		(217,526)	(201,633)
		28,112	104,393
Non-controlling interest		5,742	6,093
TOTAL EQUITY		33,854	110,486

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

The Fund considers its contributed equity as capital. There are no externally imposed capital requirements.



Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2012

	Half-year ended	
	31 December 2012 \$000's	31 December 2011 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest, fees and investment income received	4,347	3,369
Gross proceeds from property sales	649	2,343
Costs and payments to suppliers of properties sold	(243)	(1,433)
Other cash payments in the course of business	(4,279)	(3,674)
Net cash inflow/(outflow) from operating activities	474	605
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage loan advances	(9,221)	(1,457)
Mortgage loan repayments	4,879	-
Redemptions / (Purchase) of investments in managed investment schemes	-	907
Other investments (purchased) / realised	29	(253)
Other investments realised	314	17,566
Net cash inflow/(outflow) from investing activities	(3,999)	16,763
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash payments to Unitholders	(4,983)	(8,305)
Proceeds / (repayments) from bank loan	(407)	9,330
Net cash outflow from financing activities	(5,390)	1,025
Net increase/(decrease) in cash and cash equivalents	(8,915)	18,393
Cash equivalents at the beginning of the period	12,071	11,174
CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	3,156	29,567

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2012

	Issued Capital \$000's	Accumulated Losses \$000's	Non- controlling Entity \$000's	Total \$000's
HALF-YEAR ENDED 31 DECEMBER 2012				
Balance at the beginning of the period	306,026	(201,633)	6,093	110,486
Net profit / (loss) for the period	-	(15,893)	(351)	(16,244)
Cash payments to Unitholders	(4,983)	-	-	(4,983)
In-specie distribution of ARL shares to Unitholders	(55,405)	-	-	(55,405)
Balance at the end of the period	245,638	(217,526)	5,742	33,854

HALF-YEAR ENDED 31 DECEMBER 2011

Balance at the beginning of the period	326,789	(104,340)	2,529	224,978
Adjustment on correction of error	-	817	273	1,090
Net profit / (loss) for the period	-	(14,509)	(558)	(15,067)
Non-controlling Interest	-	558	(558)	-
Cash payments to Unitholders	(8,305)	-	-	(8,305)
Balance at the end of the period	318,484	(117,474)	1,686	202,696

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



Notes to the Financial Statements

For the Half-Year Ended 31 December 2012

NOTE 1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

This financial report covers the Premium Income Fund (the 'Fund') as a consolidated entity for the half-year ended 31 December 2012. The Fund was constituted on 22 December 1999 and is a listed registered managed investment scheme.

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

The half-year financial report of the Fund complies with IAS 34 Interim Financial Reporting as issued and amended by the International Accounting Standards Board (IASB).

This general purpose financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all notes of the type normally included within the annual financial report. Therefore, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made during the interim reporting period in accordance with continuous disclosure requirement of the *Corporations Act 2001*.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period. The accounting policies adopted are consistent with those of previous interim reporting periods.

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

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

The financial report is presented in Australian currency.

Critical accounting estimate – uncertainty around property valuations on mortgage loans and other financial assets

The primary assets of the Fund are loans made to borrowers. Where a borrower has defaulted the Fund has taken steps to secure the underlying security and become mortgagee-in-possession. An obligation exists upon the Directors to inform the market and if necessary issue restated accounts should the value of assets be significantly and materially different to the carrying-value.

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

The value of the underlying security property has been based on Directors assessments of fair value of the properties in comparison to similar properties. 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. For those properties where there is insufficient market evidence to determine a fair value, a formal external valuation is the next best option.

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

The fair value of the underlying security for mortgage loans – in default or mortgagee-in-possession - has been adjusted to reflect market conditions at the end of the reporting period. Whilst this represents the best estimates of fair value as at the Balance Sheet date, the current market uncertainty means that if a property is sold in future, the price achieved may vary from the fair value recorded in the financial statements.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance has been identified as the Managing Director of the responsible entity.



Notes to Financial Statements (continued)

For the Half-Year Ended 31 December 2012

NOTE 2. CASH PAYMENTS TO UNITHOLDERS

On 19 December 2012, the Fund made 0.6 cents per unit cash payment to Unitholders.

	31 December 2012 \$000's	31 December 2011 \$000's
Cash payments to Unitholders	4,983	8,305

Any further cash payments will be paid only when the Directors believe cashflows permit.

NOTE 3. OTHER FINANCIAL ASSETS

	31 December 2012 \$000's	30 June 2012 \$000's
Asset backed investments	61,635	66,951
Provision for impairment	(51,705)	(45,583)
Written down value of other financial assets	9,930	21,368

Reconciliation of Provision for Impairment – Other financial assets

Balance at the beginning of the financial period	45,583	16,887
Net loss on other financial assets	11,124	29,113
Impairment provision reversed during the period	(5,002)	(417)
Balance at the end of the financial period	51,705	45,583

The Fund principally invests in two forms of asset backed investments:

- Secured debt facilities; and
- Direct equity investments for capital growth.

Asset backed investments are generally limited to investments that are secured debt facilities of a commercial nature possessing a character closely approximating that of a commercial loan portfolio.

NOTE 4. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

Equity securities	4,499	4,512
Fixed interest securities	48	94
Shares held in unlisted securities	4,650	-
	9,197	4,606

On 19 December 2012, Wellington Capital Limited as responsible entity for the Premium Income Fund sold to Asset Resolution Limited ('ARL') additional assets comprising the transfer by assignment of the charges over six of the Forest Resort group of companies held as security in relation to the Forest Resort group loans. The Fund received 150,025,399 shares in ARL in consideration for the assignment of the charges. Following this share issue ARL has 980,558,167 shares on issue of which 84.7% were distributed in specie to unitholders of the Fund as at 4 September 2012 and 15.3% is held by Perpetual Nominees Limited as custodian for the Premium Income Fund.



Notes to Financial Statements (continued)

For the Half-Year Ended 31 December 2012

NOTE 5. MORTGAGE LOANS

	31 December 2012 \$000's	30 June 2012 \$000's
Mortgage loans – non-performing	27,317	212,863
Provision for impairment	(24,629)	(148,954)
	2,688	63,909
Reconciliation of Provision for impairment – Mortgage loans		
Balance at the beginning of the financial period	148,954	77,163
Provision for impairment recognised during the period	113	73,569
Impairment provision reversed during the period	(127,009)	-
Net (gain)/Loss on Assets realised during the period	2,571	(1,778)
Balance at the end of the financial period	24,629	148,954

All mortgage loans are secured by registered mortgages. The recoverability of mortgage loans or their potential refinance with other lenders, has been unfavourably affected by the tightening in global credit markets and a general decline in property valuations across Australia. Assets are classified as mortgage loans in default or mortgagee-in-possession when the Fund has issued default notices to the borrower under the terms of the lending arrangements.

The Directors have made an assessment of each mortgage loan to determine the likelihood of recovery and the extent of any possible impairment in the value of these investments. Where, in the opinion of the Directors, an asset's value is impaired, the asset has been written down to the Director's assessment of its fair value. The estimates completed by the Directors are considered having regard to the critical accounting estimate outlined in Note 1. The current market volatility in pricing assumptions and market drivers means that there is less certainty in regard to valuations and the assumptions applied to valuation inputs. In the current market, the time taken to negotiate a sale is significantly prolonged. While this represents the best estimate of fair value as at the Balance Sheet date, the current market uncertainty means that if the hotel is sold in the future the price attained may be higher or lower than the most recent valuation, or higher or lower than the current fair value recorded in the financial statements.

On 5 September 2012, Wellington Capital Limited as responsible entity for the Premium Income Fund announced that Asset Resolution Limited ('ARL') had acquired \$90.75m of the mortgage loan assets from the Fund. These assets had a carrying value as at 30 June 2012 of \$55.4m.

The Fund received 830,532,768 shares in ARL in consideration for the assignment and transfers which it then immediately transferred to the Unitholders in the Fund in proportion of their unitholding as at 4 September 2012. This means that each unitholder in the Fund at that date became a shareholder in ARL. The transaction with ARL was negotiated and effected on the basis of 31 December 2011 financial accounts and based on the carrying values at that date of \$90.75 m which represented approximately 40% of the value of the Fund. ARL is completely independent and is not related to Wellington Capital Limited or any of its Directors.

The transfer of the mortgage loan assets to ARL has been recorded by the Fund at their carrying value as at 30 June 2012 at \$55.4m.



Notes to Financial Statements (continued)

For the Half-Year Ended 31 December 2012

NOTE 6. RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions (including GST) that were entered into with related parties for the half-year ended 31 December 2012.

Related party	Purchases from related parties		Amounts owed to related parties	
	Half-year ended 31 December		As at 31 December	
	2012 \$	2011 \$	2012 \$	2011 \$
Responsible entity – Wellington Capital Limited: fees	1,024,633	150,271	40,000	-
Associate – Armstrong Registry Services Pty Ltd: Registry Fees	234,510	230,285	-	-

NOTE 7. 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 8. EVENTS OCCURRING AFTER BALANCE DATE

On 28 February 2013, the Premium Income Fund realised the Fund's 57.5% interest in the Harbour Street Development Trust ('HST') that owns the 168 room Chifley Wollongong Hotel.

The Premium Income Fund became mortgagee in possession of the Wollongong Hotel during 2008, after the borrowers defaulted on the finance facility provided by the Fund. At the time the Fund took possession, the hotel was incomplete. The Fund sold the asset to Harbour Street Developments Pty Ltd and worked with it to complete the construction of the Hotel and the adjacent apartments which were also part of the project.

The Fund has realised its final 57.5% of the units in HST for \$8.9 million, payable over time. The first payment for \$1.6 million was received on 28 February 2013. A further \$3 million is to be received in June 2014, with the remaining \$4.7 million due in December 2014. The payment obligation is supported by a caveat over the hotel title and power of attorney giving the Fund power to sell the hotel if payments are not received in accordance with the agreement.

Since 31 December 2012 there has not been any matter, event or circumstance not otherwise dealt with in the financial report that has materially affected or may materially affect the Fund.



Directors' Declaration

In accordance with a resolution of the Directors of Wellington Capital Limited, we declare that:

In the opinion of the Directors of the responsible entity:

- (a) the financial statements and notes of the Premium Income Fund ('Fund') are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2012 and of its performance for the period ended on that date; and
- (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.

On behalf of the Board
Wellington Capital Limited



Jennifer Hutson
Director



Mary-Anne Greaves
Director

Brisbane
1 March 2013



Independent Auditor's Review



PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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NIGEL BATTERS

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of the Premium Income Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of the Premium Income Fund, which comprises the consolidated balance sheet as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Wellington Capital Limited, the responsible entity, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Premium Income Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

