

# Premium Income Fund

NSX Release: 17 May 2011



## Placement - \$7.55 million raised

Wellington Capital Limited as responsible entity of the Premium Income Fund has finalised the placement of 75.5 million units raising \$7.55 million at \$0.10 per unit to professional and sophisticated investors.

A revised non-renounceable rights issue will now occur on a one for three basis at 9 cents per unit enabling eligible Unitholders the opportunity to subscribe for additional units in the Fund.

## Application of funds raised

The capital raised will be utilised in its entirety to improve the Fund's position with regards to property held as security for commercial loans. The three priority projects are located in Townsville, the Hunter Valley and the Gold Coast.



Townsville, Queensland



Hunter Valley, New South Wales



Gold Coast, Queensland

## Cash payments to Unitholders

Cash payments to Unitholders will only be made from funds returned following the realisation of existing assets of the Fund.

This means that all new money will be used to improve existing assets being property held as security for mortgage loans. The attached schedule sets out property sold on behalf of the Premium Income Fund as mortgagee in possession so far as they relate to the commercial loan portfolio.

Managing Director Jenny Hutson said:

*“So far, 99 contracts for saleable property have been signed, sealed and settled.*

*Total gross realisations in relation to the property underlying the mortgage component of the Fund totals \$114 million with net realisations of \$82.5 million. Additionally, contracts for \$9.25 million are on foot subject to conditions.*

*Other completed buildings are currently, or will shortly be, listed with Agents for sale. It is essential that we position the outcome of the remaining assets so as to return cash to Unitholders in the shortest possible timeframe whilst optimising those returns.*

*Our team has co-ordinated the completion and partial sale of building projects at Wollongong, Port Macquarie and Yeppoon. In addition, as mortgagee in possession the Fund has been responsible for the maintenance and security of all other properties where the Fund is mortgagee in possession.*

*There are a number of properties that we have taken to market where Wellington is of the opinion that we will only be in a position to achieve the best possible economic outcome if we further develop the properties prior to sale. This placement and rights issue will give the Fund the capital to do so for the benefit of Unitholders.”*

## Change to Constitution

A further amendment has been made to the Fund's Constitution which addresses the issue price of units in the Premium Income Fund.

The amending Deed Poll, together with the Constitution is available on Wellington's website [www.wellcap.com.au](http://www.wellcap.com.au) in the Investors section. A copy will be made available by post on request.

## Investor Advisory Committee

Two members of the Investor Advisory Committee have indicated their intention to resign. Wellington Capital Limited as responsible entity of the Premium Income Fund has decided to hold elections early.

The purpose of the Investor Advisory Committee is to ensure investor input into the future decision making process of the Premium Income Fund. The Investor Advisory Committee meets with Wellington Capital Limited as responsible entity of the Fund through formal meetings by teleconference and other communications and comprises three elected unitholders.

In order for all investors in the Premium Income Fund to make an informed decision as to the representatives appointed to the Committee, following is a nomination form for completion and return to Wellington.

The current timetable for election to the Investor Advisory Committee is as follows:

<b>2 July 2011</b>	Nomination forms returned to Wellington
<b>July 2011</b>	Collation of nominations and preparation of investor mailout
<b>August 2011</b>	Postal ballot conducted – booklet of nominees details provided to each investor together with voting form

The completed nomination form must be provided to Wellington by **no later than 5.00pm 2 July 2011**.

### For further information please contact:

Jenny Hutson  
Managing Director  
Wellington Capital Limited  
as responsible entity of the Premium Income Fund  
ACN 114 248 458 AFSL 291 562

Phone: 1300 854 885  
Email: [investorrelations@newpif.com.au](mailto:investorrelations@newpif.com.au)



## Commercial Loan Portfolio Update

Wellington Capital Limited as responsible entity of the Premium Income Fund has been managing the commercial loan portfolio since 2008.

All borrowers have now defaulted, which has resulted in Wellington Capital Limited as responsible entity of the Premium Income Fund exercising the Fund's rights under the finance facility arrangements.

- ✿ This has resulted in the Fund over time taking control of all of the underlying security properties which form the security for the commercial loan portfolio.
- ✿ These assets have been managed, and continue to be managed, to an outcome which sees a return for Unitholders in the Premium Income Fund.
- ✿ **To date, Wellington Capital Limited as responsible entity of the Premium Income Fund has signed and settled 99 contracts across 13 properties representing gross total proceeds of \$114 million and net proceeds of \$82.5 million.**


There are other assets which are assets of the Fund which are not the subject of this update.

Set out below is an update of security properties which have been secured and sold by the Fund in relation to its commercial mortgage loans. This list does not represent all cash collected by the Premium Income Fund, nor does it represent all of the security property held by the Fund or the other assets of the Fund.


### Security properties that have been realised to repay commercial loans

The following security properties have been realised by Wellington Capital Limited as responsible entity of the Premium Income Fund:


#### Hastings Point, New South Wales

	<b>Description:</b>	Staged seniors living development: realisation of underlying security asset
	<b>Amount realised:</b>	<b>\$12.66 million</b>

#### Sylvania, New South Wales


	<b>Description:</b>	Apartment complex: realisation of underlying security asset
	<b>Amount realised:</b>	<b>\$20.02 million</b>

#### Creswick, Victoria


	<b>Description:</b>	Vacant land: partial realisation of underlying security asset
	<b>Amount realised:</b>	<b>\$2.43 million</b>

## Security properties that have been realised to repay commercial loans


### Brooklyn West, Victoria

	<b>Description:</b>	Incomplete townhouse development: realisation of underlying security property
	<b>Amount realised:</b>	<b>\$0.55 million</b>


### St Leonards, New South Wales

	<b>Description:</b>	Partially developed (16% completed) 17 level mixed-use building: sale of underlying security property
	<b>Amount realised:</b>	<b>\$8 million</b>


### Blacktown, New South Wales

	<b>Description:</b>	Partially developed residential unit complex sale of underlying security property
	<b>Amount realised:</b>	<b>\$1.8 million</b>

### Narrabeen, New South Wales


	<b>Description:</b>	Partially excavated site with building approval: sale of underlying security property
	<b>Amount realised:</b>	<b>\$1.5 million</b>

### Seddon, Victoria


	<b>Description:</b>	Incomplete apartment complex: sale of underlying security property
	<b>Amount realised:</b>	<b>\$8.5 million</b>

## Security properties that have been realised to repay commercial loans


### Chatswood, New South Wales

	Description	Storage facility: sale of underlying security property
	Amount realised:	<b>\$1.8 million</b>


### Mackay, Queensland

	Description:	Incomplete building: sale of underlying security property
	Amount realised:	<b>\$5.5 million</b>


### Chifley Wollongong, New South Wales

	Description:	Facilitation of completion and subsequent sale of 78 of 84 residential apartments and the commercial area within the complex
	Amount realised:	<b>Gross proceeds \$43.1 million Net cash proceeds to the Fund to date: \$15 million</b>

### Yeppoon, Queensland

	Description:	Facilitation of completion and sale of incomplete residential apartment complex: sale of underlying security property
	Amount realised:	<b>\$4 million</b>

### Icon Port Macquarie, New South Wales


	Description:	Completion and sale of 10 of 26 residential apartments: sale of underlying security property
	Amount realised:	<b>Gross proceeds \$4.7 million Net proceeds to the Fund to date: \$1.3 million</b>

The properties at Yeppoon, Port Macquarie and Wollongong each involved a third party providing the funding to enable the completion of the originally incomplete buildings.


The net proceeds from the Wollongong project to the Premium Income Fund to date have been \$15 million. All future net funds from the project up to the most recent valuation are for the benefit of the Fund. If the remaining 7 apartments and the 168 room hotel are sold at the current carrying value, a further \$28 million will be realised for Unitholders. The net proceeds from the Icon Port Macquarie project to date have been \$1.3 million. If the remaining 16 apartments are sold at carrying value, a further \$11 million will be realised for Unitholders.

## Security property subject to contract to repay commercial loans


### Mackay, Queensland

	<b>Description</b>	Vacant land with development approval: sale of underlying security property
	<b>Net amount to be paid to the Fund on completion</b>	<b>\$2 million</b>
	<b>Conditions/Timing:</b>	Conditional until August 2011
	<b>Completion:</b>	Due September 2011

### Tweed Heads, New South Wales

	<b>Description</b>	Reef Cove Resort: sale of underlying security property
	<b>Net amount to be paid to the Fund on completion:</b>	<b>\$7 million</b>
	<b>Conditions/Timing:</b>	Conditional until June 2011
	<b>Completion:</b>	Due September 2011


### Lithgow, New South Wales

	<b>Description</b>	Vacant land with development approval: sale of underlying security property
	<b>Net amount to be paid to the Fund on completion:</b>	<b>\$0.25 million</b>
	<b>Conditions/Timing:</b>	Conditional until July 2011
	<b>Completion:</b>	Due August 2011


## Priority projects requiring capital to complete

These are the priority projects requiring modification and development to be realised optimally.


### Hunter Valley, New South Wales

	<b>Property description:</b>	Vacant land
	<b>Action required:</b>	Revised development approval required and then development required so they can be marketed as house and land.

### Townsville, Queensland

	<b>Property description:</b>	Vacant land
	<b>Action required:</b>	Revised development approval required and then development required so they can be marketed as house and land.

### Gold Coast, Queensland

	<b>Property description:</b>	Development site
	<b>Action required:</b>	Land has current development approval. Capital required to undertake development directly or with a development partner.

#### For further information please contact:

Jenny Hutson  
 Managing Director  
 Wellington Capital Limited  
 as responsible entity of the Premium Income Fund  
 ACN 114 248 458 AFSL 291 562

Phone: 1300 854 885  
 Email: [investorrelations@newpif.com.au](mailto:investorrelations@newpif.com.au)







# DEED POLL AMENDMENT

Made 16 May 2011

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WELLINGTON CAPITAL LIMITED ACN 114 248 458 of level 22, 307 Queen Street, Brisbane Queensland

(‘Responsible Entity’)

## BACKGROUND

- A. The Premium Income Fund (**Scheme**) was originally constituted as the MFS Capital Insured Income Fund under a Deed Poll dated 20 November 1999, and has been amended from time to time by the Responsible Entity (**Constitution**).
- B. Section 601GC(1)(b) of the Corporations Act provides that the constitution of a registered managed investment scheme may be modified by the Responsible Entity if the Responsible Entity reasonably considers the change will not adversely affect members’ rights.
- C. The Responsible Entity wishes to amend the Constitution as set out in this Deed Poll.
- D. The Responsible Entity reasonably considers that the amendments to the Constitution contained in this Deed Poll will not adversely affect members’ rights.
- E. Pursuant to section 601GC(2) of the Corporations Act, the amendments to the Constitution set out in this Deed Poll will take effect when a copy of this Deed Poll is lodged with the Australian Securities and Investments Commission.

## OPERATIVE PROVISIONS

### 1. AMENDMENT OF CLAUSE 3.1 – OFFERING AND ISSUE OF UNITS

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Clause 3.1 of the Constitution is deleted and replaced with the following:

#### Offering and Issue of Units

- 3.1 The Responsible Entity may, in accordance with the provisions of the Corporations Act and this Constitution, cause the issue of Units or issue a PDS or other offer document in relation to Units.

#### Placement

- 3.1A While the Scheme is listed on the National Stock Exchange (**NSX**), the Responsible Entity may at any time issue Units to any person, whether by way of a placement or otherwise, at a price which is determined by the Responsible Entity, in accordance with clause 3.2.2(b).

### 2. AMENDMENT OF CLAUSE 3.2 – ISSUE PRICE

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Clause 3.2 of the Constitution (as amended) is deleted in its entirety and replaced with the following:

**Issue price**

3.2 The Issue Price of a Unit under a PDS or other regulated or unregulated offer document issued pursuant to the Corporations Act or otherwise in accordance with ASIC relief, shall be:

3.2.1 one dollar (\$1.00) for the first Quarter of the Scheme;

3.2.2 thereafter, the Issue Price shall be one dollar (\$1.00) per Unit unless the Responsible Entity considers the total net value of all Scheme Property divided by the number of issued Units in the Scheme (**Variable Price**) is less than one dollar (\$1.00), in which case the Issue Price of a Unit shall be:

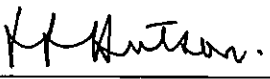
(a) the Variable Price; or

(b) while the Scheme is listed on the NSX, the Issue Price will be determined by the Responsible Entity who may determine an Issue Price which is more than or less than the then current trading price on NSX, provided that any discount will not exceed a maximum discount of 5% to the 30 day volume weighted average price (**VWAP**) of Units traded on the NSX (**30 Day VWAP**).

Where applicable, fractions will be rounded up to the nearest cent.

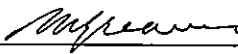
Executed as a deed poll in Queensland.

SIGNED SEALED AND DELIVERED )  
for and on behalf of WELLINGTON CAPITAL )  
LIMITED ACN 114 248 458 by authority of the )  
directors in the presence of: )

  
\_\_\_\_\_  
^ Director

**JENNIFER JOAN HUTSON**

\_\_\_\_\_  
^ Full name of Director

  
\_\_\_\_\_  
^ Director/Secretary

**MARY-ANNE GREAVES**

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^ Full name of Director/Secretary