Wellington

Half Year Financial Report

Premium Income Fund

ARSN 090 687 577

for the half-year ended 31 December 2011

Letter from the Managing Director

Dear Unitholders,

We have during the past 6 months taken to market a significant number of the security assets of the Premium Income Fund. A number of transactions were finalised in the 6 months from 30 June 2011 to 31 December 2011.

Finalised sales enabled a cash payment of 1 cent per unit to be made in December 2011. A further cash payment of 1.5 cents per unit is planned for 14 March 2012.

The current net assets of the Fund as at 31 December 2011, as set out in the attached financial statements, are $202.696 million which equates to 24.4 cents per unit.

In a market that remains volatile, your Fund is debt free, and will remain this way. No debt in your Fund means that we are in a position to act on the right sales opportunities, but are not pressured or forced to take steps that do not maximise value for you. Two underlying investments do involve borrowings, which have been disclosed in the accounts. There is, importantly, no recourse to the other assets in your Fund in relation to these borrowings which have been organised and are the primary responsibility of the joint venture party in the relevant projects.

The marketing of security assets continues. In addition, planning and construction work have been undertaken on sites where this is likely to improve the overall return to investors and positively change what the Fund has to sell.

The last 6 months of 2011 also saw the Fund sell some previously illiquid holdings in the 'other investments' categories of the Fund's holdings. We continue to work on the right strategies for the remaining alternative assets in the Fund, together with strategies to optimise the security assets held in the commercial loan and inventory portfolio.

As set out in the 30 June 2011 Annual Report, our aim is to position the underlying security assets for sale and then take them to market. Net sales proceeds will then be paid to Unitholders. We understand that the return of the existing capital to Unitholders is the priority.

My team and each of my directors are committed to acting in the best interests of Unitholders and maximising the outcome for Unitholders.

Thank you for your support during this period.

Kind regards

Jenny Hutson
Managing Director
Wellington Capital Limited
as responsible entity for
the Premium Income Fund

Fund Assets

COMMERCIAL LOAN PORTFOLIO AND INVENTORY

The Premium Income Fund is primarily a mortgage trust. This means that the Fund has as its primary assets loans to borrowers. Where a borrower is in default of its loan from the Fund, Wellington has taken steps to secure the underlying security property and become mortgagee in possession.

The following security properties are the first ranking mortgage securities underlying the commercial loan portfolio:

Property	Property description	Status	Book value as at 31 December 2011
Unconditional Contracts			
23 Mars Road, Lane Cove, New South Wales	Strata titled storage facility	Property sold and settled February 2012. $0.6 million received at settlement. $5.4 million payable February 2014.	$5m
48 Carlyle Street, Mackay, Queensland	Residential land with development approval	Unconditional contract entered into. $220,000 deposit received and released. Settlement due March 2012. Expected to net $2 million.	$1.2m
Conditional Contracts			
Routley Drive, Kooralbyn, Queensland	100 room hotel, golf course, school and residential land	Conditional contract entered into. Contract subject to deferred settlement, finance and finalisation of town planning considerations by Conditions Date of May 2012. Settlement due January 2013. Expected to net $22 million.	$20m
22 View Avenue, Surfers Paradise, Gold Coast, Queensland	104 rooms in Holiday Inn	Conditional call option over 31 apartments entered into in July 2011 has come to an end. Conditional contract has been entered into for all the 104 apartments. Expected to net $20 million.	$19.05m
Dry Dock Road, Tweed Heads, New South Wales	Land with development approval	Conditional contract entered into. Settlement extended to May 2012. Expected to net $7 million.	$6.25m
Trinder Avenue, Maroochydore, Queensland	Residential land subdivision	Joint venture entered into to finalise the subdivision.	$3.20m
Tweed Road, Lithgow, New South Wales	Residential land	Settlement has not yet occurred.	$0.26m

Property	Property description	Status	Book value as at 31 December 2011
Marketing in progress			
1500 Midland Highway, Creswick, Victoria	Hotel and 18 hole golf course Vacant Residential land	91 of the 144 strata titled rooms in the hotel are held as security together with the 18 hole golf course, surrounding residential land and 80% of the company operating the onsite treatment facility. 13 conditional contracts for the residential land component have been entered into at $2.28 million. Settlement of two further residential lots occurred in February 2012 with total proceeds $300,000. The remaining residential stages continue to be marketed for sale, together with the resort englobo.	$40.99m
60 Harbour Street, Wollongong, New South Wales	Units in trust which owns Chifley Wollongong Hotel and five Chifley Residences held for sale	2 residential apartments were sold during the previous 6 month period resulting in 81 of 84 residential apartments having been sold as at 31 December 2011. The Fund also has a 57.5% interest in the trust that owns the 168 room Chifley Wollongong Hotel. 42.5% of the interest was sold and settled in November 2011 for $8 million.	$21.06m
3456 Main Beach Parade, Gold Coast Queensland	Waterfront land with development approval	Marketing of the property for sale or joint venture continues. An extension to the development approval for the site to 2014 has been received.	$13m
22 Mort Street, Port Macquarie, New South Wales	Residential apartments	1 apartment was sold during the previous 6 month period resulting in 12 of 24 apartments having been sold as at 31 December 2011. The 12 remaining apartments are being marketed for sale.	$9.98m
Lot 2 Explorer Drive, Mission Beach, Queensland	Land with development approval for tourist facility	Negotiations to sell the land continue to be conducted by the borrower.	$6.35m
Duns Creek Road and Uffington Road, Duns Creek, New South Wales	Residential land subdivision	Funds raised in May 2011 are being applied to optimise this 20 lot subdivision by delivering houses and land for sale.	$3.2m
507 – 523 Dalrymple Road and 9 Thorn Street, Mt Louisa, Townsville, Queensland	Land with development approval	Funds raised in May 2011 are being applied to optimise this asset for sale through changes to the development approval and then construction of houses prior to sale.	$2.7m

Property	Property description	Status	Book value as at 31 December 2011
11 Ridge Street, Nambucca Heads, New South Wales	Land with development approval for 12 apartments	This site is being marketed for sale.	$2m
11 Church Street, Nelsons Bay, New South Wales	Land with development approval for 33 apartments	This site is being marketed for sale.	$1.5m
TOTAL BOOK VALUE			**$155.74m**

OTHER INVESTMENTS

Asset backed Investments

Asset	Description	Book value as at 31 December 2011
Loan facility	Loan to diversified property trust	$4.274m
Loan facility	Loan facility to Future Fuels Australia Pty Ltd	$20m
Loan facility	Loan facility to Seiza Finance Pty Ltd	$4m
Loan facility	Loan facility to diversified property trust	$5.843m
TOTAL BOOK VALUE		**$34.12m**

Property Managed Investment Schemes

Asset	Description	Status	Book value as at 31 December 2011
Units in trust	Property Trust	2,241,456 units held in unlisted trust	$4.339m
Units in trust	Aspen Diversified Property Trust	3,126,378 units held in unlisted trust	$0.183m
TOTAL BOOK VALUE			**$4.522m**

Fixed Interest Investments

Asset	Description	Status	Book value as at 31 December 2011
Securities	Nexus Bonds Fixed Securities (ASX:NXBHD)	50,000 units held in listed security	$3.505m
Units in trust	B&B DIF Senior Debt Trust	9,447,713 units held in unlisted trust	$0.137m
TOTAL BOOK VALUE			**$3.642m**

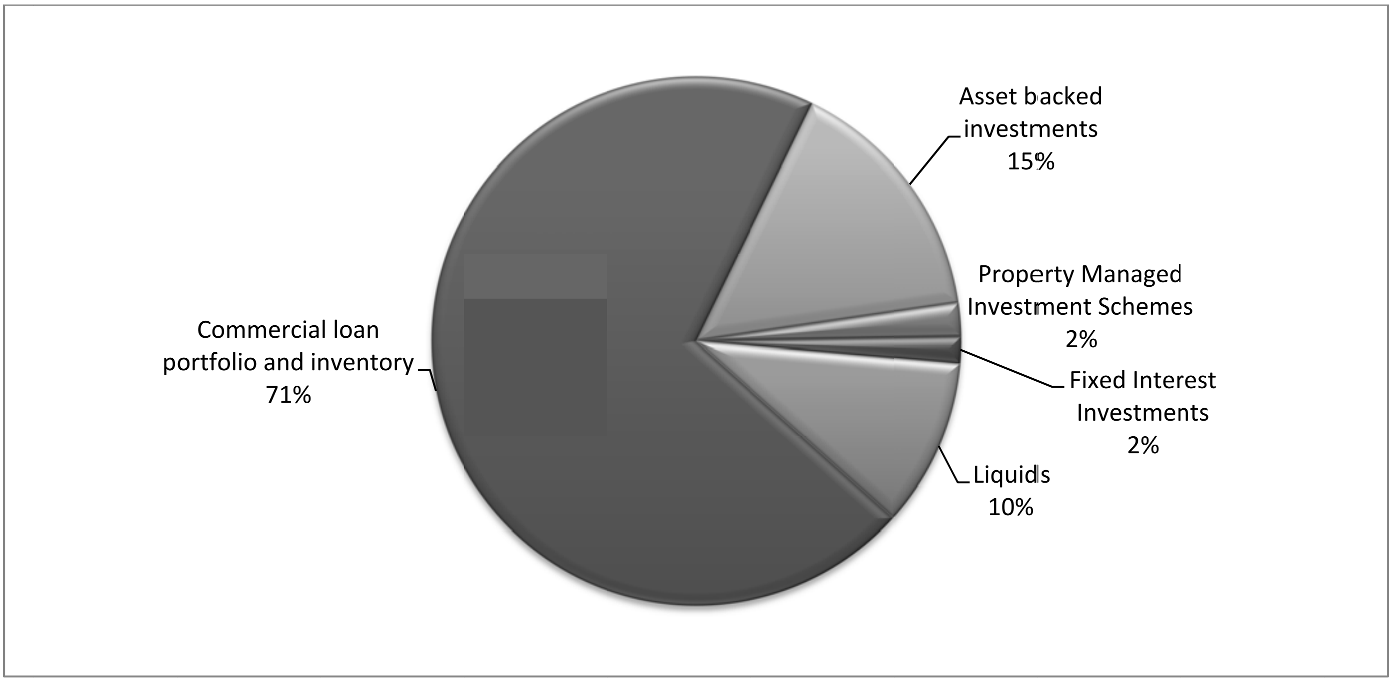
Net Cash

Asset	Description	Book value as at 31 December 2011
Net cash	Cash at bank	$22.704m
TOTAL BOOK VALUE		**$22.704m**

Portfolio Contingency

	Description	Book value as at 31 December 2011
Portfolio contingency		($12.834)m
TOTAL BOOK VALUE		**($12.834)m**

Fund asset diversification as at 31 December 2011



*Asset allocation excluding portfolio contingency as at 31 December 2011

Litigation and other recoveries

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 Management Investments Pty Ltd (formerly Management Investments Limited, Wellington Investment Management Limited and Octaviar/MFS Investment Management Limited) 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 Wellington Investment Management Limited.

CLASS ACTION: MERCEDES HOLDINGS PTY LTD & ORS V KPMG & ORS – FEDERAL COURT PROCEEDINGS NSD 324/2009

Appeals in relation to Justice Perram's decision pertaining to the Amended Statements of Claims are currently before the Federal Court in New South Wales in this proceeding. This proceeding is funded by IMF (Australia) Limited. The applicants are represented by Johnston Winter and Slattery following HWL Ebsworth's withdrawal from representation in November 2011.

Wellington Capital Limited, IMF and the Class Action lawyers share the view that the benefit of the Class Action should be for those Unitholders who suffered the loss to which the proceedings relate, that is those Unitholders who were Unitholders in the Premium Income Fund as at 15 October 2008 whether they remain Unitholders or not.

Wellington Capital Limited as responsible entity of the Premium Income Fund will, in relation to the legal proceedings in the Federal Court and any future proceedings, ask the court to make orders that any resulting damages or compensation be paid to the Unitholders at the time the loss was incurred, being 15 October 2008. If a settlement is reached, one of the terms will be that any agreed settlement sum be paid to Unitholders as at 15 October 2008.

In the event that the Federal Court does not make these orders, Wellington Capital Limited as responsible entity of the Premium Income Fund will pursue every other available legal avenue to achieve an outcome where the Unitholders who suffered the loss are the beneficiaries of any order made, including asking ASIC to modify the application of the *Corporations Act 2001*, and if necessary, Unitholders to vary the Constitution of the Premium Income Fund. Wellington Capital Limited will be assisted by IMF and the Class Action lawyers in that regard.

Investors buying units in the Premium Income Fund, whether on market or off market, should do so on the basis that they will not be entitled to any damages or compensation received from any legal action relating to the claim for losses suffered by Unitholders as at 15 October 2008.

Wellington Capital Limited as responsible entity of the Premium Income Fund announced on 2 June 2011 that it had executed a funding agreement with IMF (Australia) Limited (ASX:IMF), the class action funder. At this time, IMF and Johnston Winter and Slattery have not joined Wellington Capital Limited as responsible entity of the Premium Income Fund to the action.

It was agreed with IMF to revisit the position once Justice Perram of the Federal Court determined the position on the two proposed Statements of Claim currently before him. Whilst a determination has been made by Justice Perram, appeals have been lodged by the majority of the Respondents in relation to that decision. As a consequence, the future conduct of the proceedings continue to remain uncertain.

Future steps following Justice Perram's decision may include Wellington Capital Limited as responsible entity of the Premium Income Fund (funded by IMF) separately commencing proceedings against KPMG.

At the date of this report, Wellington Capital Limited is not a party to the class action proceedings.

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION V MANAGEMENT INVESTMENT PTY LTD & ORS – SUPREME COURT OF QUEENSLAND PROCEEDINGS 12122/2009

Proceedings in the Supreme Court of Queensland continue against Michael King, Craig White, Guy Hutchings, David Anderson, Marilyn Watts and the former responsible entity of the Premium Income Fund (formerly known as MFS Investment Management Limited) in relation to the drawdown of the Premium Income Fund's finance facility in November 2007 and December 2007.

The proceedings seek declarations of contraventions, pecuniary penalties, compensation and disqualifications from managing corporations pursuant to the *Corporations Act 2001* (Cth).

The proceedings allege that:

- in November 2007, officers of the former responsible entity caused the Premium Income Fund to transfer $130 million to MFS Administration Pty Ltd so that MFS Administration Pty Ltd could use those funds to pay financial obligations of other MFS Ltd subsidiaries, including $103 million owed to Fortress Credit Corporation (Australia) Pty Ltd by MFS Castle Pty Ltd;
- in December 2007, officers of the former responsible entity caused the Premium Income Fund to transfer $17.5 million to MFS Pacific Finance Ltd, a New Zealand registered company (now known as OPI Pacific Finance Ltd (Receivers and Managers Appointed)); and
- that in about January 2008, officers of the former responsible entity and the fund manager created and used false documents relating to the use of the $147.5 million.

As a result of the funds being transferred, the proceedings allege that the Premium Income Fund suffered a loss of $147.5 million.

The Fund is not a party to the ASIC proceedings.

OCTAVIAR ADMINISTRATION PTY LTD (IN LIQUIDATION) AND OPI PACIFIC FINANCE LIMITED (RECEIVERS AND MANAGERS APPOINTED) – SUPREME COURT OF QUEENSLAND PROCEEDING 5958/2008

This Claim was filed by Wellington Capital Limited on 24 June 2008 in relation to the drawdown of the finance facility with the Royal Bank of Scotland in November and December 2007. This proceeding remains current regardless of the proof of debt lodged and any other court proceedings which have commenced since that time.

COMMITTEE OF CREDITORS: OCTAVIAR LIMITED (IN LIQUIDATION) AND OCTAVIAR ADMINISTRATION PTY LTD (IN LIQUIDATION)

Jenny Hutson is a member of the Committee of Inspection of Creditors in relation to the liquidation of Octaviar Limited and Octaviar Administration Pty Ltd which is being undertaken by Bentleys Corporate Recovery.

The Committee of Inspection assists the Liquidator, approves fees and, in limited circumstances, approves the use of some of the Liquidator's powers, on behalf of all the creditors. The Committee of Inspection acts by a majority in number of its members present at each meeting. A Liquidator must consider any directions given by the Committee of Inspection, but is not bound to follow them.

The Liquidators have called for Proofs of Debt in relation to these companies. Wellington Capital Limited has lodged a Proof of Debt totalling $211 million on behalf of the Premium Income Fund with the Liquidators.

Consideration is currently being given to the Proof of Debt by Bentleys Corporate Recovery.

PERPETUAL NOMINEES LIMITED AS CUSTODIAN FOR THE PREMIUM INCOME FUND V RYTELLE PTY LTD & ORS – VICTORIAN SUPREME COURT PROCEEDINGS

Wellington Capital Limited as responsible entity of the Premium Income Fund is mortgagee-in-possession of The Forest Resort located in Creswick, Victoria. A controller of the operating company has been appointed under the loan facility in the Fund's exercise of its power under its first ranking mortgage and has taken control of the underlying security property and the borrower itself.

It is the view of Wellington Capital Limited as responsible entity of the Premium Income Fund and its legal advisers that there has been no substantive or determinative progress in the litigation in relation to the Fund's security over The Forest Resort to enable the Fund to provide a clear update to investors. The Fund is confident of its security over the property and continues to operate the Resort in order to benefit all Unitholders.

The defaulting borrower and guarantor have cross claimed against Perpetual Nominees Limited and ACN 101 634 146 Pty Ltd (formerly MFS Investment Management Limited).

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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 2011 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 2011.

Responsible entity

The responsible entity of the Premium Income Fund is Wellington Capital Limited (ABN 45 114 248 458).

Principal activities

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

The Fund's principal activity for the year was the investment of Unitholders' funds in equity instruments, debt instruments, cash and registered mortgages.

The Fund did not have any employees during the year (2010: nil).

There were no material changes in the nature of the entity's activities during the year.

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 Fund continued to suffer the effects of severely affected valuation and recoverability issues of the Fund's underlying security assets as in previous financial years. Difficulties experienced by borrowers in obtaining refinance facilities and the inability to realise adequate asset values has resulted in the Fund becoming mortgagee-in-possession of the underlying properties in the commercial loan portfolio. The value of the underlying security property has been based on Director estimates and assessments of the properties in comparison to similar properties.

All Fund assets have been categorised in relation to their suitability for sale 'as-is' or whether significant value uplift can be achieved by further investment in a property. Within the sale 'as is' category, there are some properties that can be sold at a fair market price, while others must be retained as a land bank pending relevant regional market recovery. As with all property sales, timing is crucial. The majority of future cash payments will be sourced from sale assets in this category.

Within the further investment category are assets that have been identified as requiring further investment in order to maximise the return to the Fund. The strategy is to invest other Fund assets or to seek further investment from appropriate joint venture partners selected on a project by project basis, where the Fund will incur no interest bearing debt. However, by undertaking these projects, the carrying value of the asset will be substantially improved.

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 asset portfolio and cash flows so as to maximise the net asset backing of a unit thereby maximising returns to Unitholders.

The sale of apartments within the property located at Wollongong continue to provide positive cashflows to the Fund. The Premium Income Fund has retained control of the hotel component of the complex post completion. The hotel is managed by the Constellation Group under its Chifley brand.

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 2011 $000's	Half-year to 31 December 2010 $000's
Net loss for the half year	**(15,067)**	(3,436)
Cash payments:		
Cash paid	**8,305**	7,550
Cash payment (cents per unit)	**1.0**	**1.0**

On 12 December 2011, the Fund made a one cent per unit cash payment to Unitholders.

Material changes in the state of affairs

The Fund was unable to reduce significantly its investment in equity and debt instruments and mortgage loans during the period ended 31 December 2011.

The asset allocation of the Fund was as follows:

	As at 31 December 2011	As at 30 June 2011
Mortgage Loans	65.2%	65.8%
Management Investment Schemes	2.2%	1.8%
Alternative Investments	16.5%	25.3%
Cash Investments	14.3%	5.3%
Fixed Interest Investments	1.8%	1.8%

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.

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 of the operating segments, has been identified as the Managing Director of the responsible entity.

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

Since the end of the financial period, 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.

A cash payment of 1.5 cents per unit was paid to Unitholders on 14 March 2012.

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 Unitholders held on 15 October 2008, it was resolved that the responsible entity would be paid a management fee of 0.7% per annum on the value of funds under management. It was agreed by the responsible entity that no fees would be charged, or become payable, until cash payments to Unitholders totalling 3 cents per unit had been made.

Following payment of the 1.0 cent per unit on 12 December 2011, the total of cash payments to Unitholders was 3.0 cents per unit. In accordance with the Constitution the responsible entity charged a management fee of $136,610 (plus GST) (2010: nil). Management fees paid to the responsible entity are limited to two years.

Environmental regulation

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

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.

Jenny Hutson

Jennifer Hutson

Director

MGreaves.

Mary-Anne Greaves

Director

Brisbane

15 March 2012

Auditors Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the review of Premium Income Fund, for the half year ended 31 December 2011, 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 Premium Income Fund and its controlled entities during the period.

Robert Hubbard
Partner
PricewaterhouseCoopers

Brisbane
15 March 2012

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Consolidated Statement of Comprehensive Income

For the Half-Year Ended 31 December 2011

	Half-year ended	
	31 December 2011 $000's	31 December 2010 Restated* $000's
REVENUE FROM CONTINUING OPERATIONS		
Development and construction revenue	**1,426**	8,789
Interest income	**1,933**	1,917
Revenue from continuing operations	**3,359**	10,706
INVESTMENT INCOME		
Net gain/(loss) on financial instruments designated as at fair value through profit or loss	**4,133**	(52)
Net gain/(loss) on other financial assets	**(7,307)**	(310)
Net gain/(loss) on mortgage loans	**(12,297)**	(2,800)
Investment income	**15**	34
Other operating income	**1,373**	710
Total revenues and investment income / (loss)	**(10,724)**	8,288
EXPENSES		
Cost of development, construction and property sales	**2,622**	11,041
Responsible entity's fees	**137**	-
Custodian and registry fees	**269**	249
Fees and commission expense	**231**	41
Auditor's remuneration	**70**	45
Finance costs	**-**	-
Consulting, compliance, accounting and legal fees	**546**	217
Insurance	**107**	25
Stock exchange listing fees	**26**	17
Other direct Fund expenses	**335**	89
Total expenses	**4,343**	11,724
NET LOSS FOR THE HALF YEAR	**(15,067)**	(3,436)
Other comprehensive income	**-**	-
TOTAL COMPREHENSIVE INCOME / (LOSS)	**(15,067)**	(3,436)
Profit attributable to:		
Unitholders	**(14,509)**	(3,275)
Non-controlling interest	**(558)**	(161)
	(15,067)	(3,436)
EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS		
Basic earnings / (loss) per unit	**(0.02)**	(0.01)
Diluted earnings / (loss) per unit	**(0.02)**	(0.01)

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

*See Note 3(a) for details regarding the restatement.

Consolidated Balance Sheet

As at 31 December 2011

	Note	**31 December 2011 $000's**	30 June 2011 $000's	30 June 2011 Restated* $000's
ASSETS				
Cash and cash equivalents		**29,567**	10,856	11,174
Receivables	7	**5,306**	4,931	4,977
Other financial assets	6	**32,071**	52,124	52,124
Financial assets held at fair value through profit or loss	9	**8,164**	7,407	9,504
Inventory	8	**21,065**	22,441	22,441
Mortgage loans	10	**123,885**	135,722	135,722
TOTAL ASSETS		**220,058**	233,481	235,942
LIABILITIES				
Payables	11	**6,553**	8,503	8,515
Loan	12	**10,809**	-	1,359
TOTAL LIABILITIES		**17,362**	8,503	9,874
NET ASSETS		**202,696**	224,978	226,068
EQUITY				
Contributed equity	4	**318,484**	326,789	326,789
Retained losses		**(117,474)**	(104,340)	(103,523)
		201,010	222,449	223,266
Non-controlling interest	13	**1,686**	2,529	2,802
TOTAL EQUITY		**202,696**	224,978	226,068

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

*See Note 3(a) for details regarding the restatement.

Capital risk management

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 2011

	Note	Half-year ended 31 December 2011 $000's	31 December 2010 $000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest, fees and investment income received		**3,369**	2,336
Gross proceeds from property sales		**2,343**	6,739
Costs and payments to suppliers of properties sold		**(1,433)**	(5,180)
Other cash payments in the course of business		**(3,674)**	(605)
Net cash inflow/(outflow) from operating activities		**605**	3,290
CASH FLOWS FROM INVESTING ACTIVITIES			
Mortgage loan advances		**(1,457)**	(5,459)
Mortgage loan repayments		**-**	4,111
Redemptions / (Purchase) of investments in managed investment schemes		**907**	-
Other investments purchased		**(253)**	-
Other investments realised		**17,566**	-
Net cash inflow/(outflow) from investing activities		**16,763**	(1,348)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for hardship claims by Unitholders		**-**	-
Cash payment to Unitholders	**5**	**(8,305)**	(7,550)
Cash payments to non-controlling interests		**-**	(800)
Proceeds from bank loan	**12**	**9,330**	-
Net cash outflow from financing activities		**1,025**	(8,350)
Net increase/(decrease) in cash and cash equivalents		**18,393**	(6,408)
Cash equivalents at the beginning of the period		**11,174**	12,358
CASH EQUIVALENTS AT THE END OF THE HALF-YEAR		**29,567**	5,950

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 2011

	Issued Capital $000's	Retained Earnings $000's	Non-controlling Entity $000's	Total $000's
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 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**
HALF-YEAR ENDED 31 DECEMBER 2010 RESTATED*				
Balance at the beginning of the period	334,340	(73,521)	4,483	265,302
Adjustment on correction of error	-	473	242	715
Net loss for the period	-	(3,275)	(161)	(3,436)
Non-controlling Interest	-	-	-	-
Cash payments to Unitholders	(7,550)	-	(800)	(8,350)
Balance at the end of the period	326,790	(76,323)	3,764	254,231

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

*See Note 3(a) for details regarding the restatement.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2011

NOTE 1. CORPORATE INFORMATION

This financial report covers the Premium Income Fund (the 'Fund') as a consolidated entity for the half-year ended 31 December 2011. 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 financial report for the half-year ended 31 December 2011 was authorised for issue by the Directors of the responsible entity on 15 March 2012.

NOTE 2. STATEMENT OF COMPLIANCE

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).

NOTE 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose financial report for the half-year reporting period ended 31 December 2011 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 2011 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.

In note 3(c), uncertainty around property valuations on mortgage loans, we have set out the inherent uncertainty associated with assessing the recoverable amount of mortgage loans and other financial assets at balance date. To assist with note 3(c) we have set out in note 10 the basis upon which the Directors have assessed the fair value of the mortgage loan portfolio. There remains an inherent uncertainty in relation to determination of recoverable amount of the mortgage portfolio. However the Directors believe their approach in assessing the recoverable amount of the portfolio remains appropriate and no adjustment is required to the carrying value of these assets.

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 Balance Sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current assets and liabilities.

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,* Unitholders' 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.

The financial report is presented in Australian currency.

Change in accounting policy

The Fund has changed its accounting policy to the previous reporting period and corresponding comparative reporting period.

An investment in an entity previously included in 'Financial assets held at fair value through profit or loss' has a changed status requiring it to be Consolidated. As a result, the financial statements for the comparative periods are re-stated to include the effects of the Consolidation.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2011

(b) Going concern

This interim financial report has been prepared on a going concern basis.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the classification of liabilities that might be necessary should the Fund not continue as a going concern.

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 fall 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 interim financial report on an on-going basis is appropriate.

(c) 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.

(d) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Fund, the parent entity, and its controlled entities. The Fund and its controlled entities are referred to in the financial report as the consolidated entity.

A controlled entity is an entity that the Fund has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All inter-entity transactions and balances between the entities in the Fund, including any unrealised profits and losses, have been eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Investments in controlled entities are accounted for at cost in the individual financial statements of the Premium Income Fund.

(e) Controlled entities

A controlled entity is an entity over which the Fund has the power to control the financial and operating policies so as to obtain benefits from its activities. The Premium Income Fund has two controlled entities.

The first, the parent entity has a 57.5% (2010: 90.91%) interest at period end in a Trust, which is resident in Australia and the principle activity is the development of investment properties.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2011

The second, the parent entity has a 91.8% (2010: 91.8%) interest at period end in a Trust, which is resident in Australia and which the principle activity is an investment property.

The financial statements incorporate the assets, liabilities and results of the controlled entities.

(f) 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.

(g) Inventory

Inventory consists of finished residential properties and a hotel that are actively being marketed for sale and is valued at the lower of cost and net realisable value. Cost comprises direct material, direct labour and, as appropriate, a proportion of fixed and variable overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

(h) New and revised accounting requirements applicable to the current half-year reporting period.

For the half-year reporting period to 31 December 2011, a number of new and revised accounting standard requirements became mandatory for the first time, some of which are relevant to the Fund. The following provides a summary of the applicable standards, their requirements and effect upon the Fund.

- AASB 124: Related Party Disclosures.

  AASB 124 (December 2009) introduces a number of changes to the accounting treatment of related parties. The definition of a related party is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition including:

  - The definition now identifies a subsidiary and an associate with the same investor as related parties of each other.
  - Entities significantly influenced by one person and entities significantly influenced by a close member of a family of that person are no longer related parties of each other.
  - The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

- AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project.

  This standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Application of the amendments in AASB 2010-4 did not have a significant impact on the Scheme's financial statements.

- AASB 1054: Australian Additional Disclosures and AASB 2011-1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project.

  AASB 1054 sets out the Australian-specific disclosures that are additional to IFRS disclosure requirements. Such disclosure requirements were previously located in other Australian Accounting Standards. Application of AASB 1054 did not have a significant impact on the Scheme's financial statements.

(i) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and short term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2011

(j) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

(k) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

(l) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

The Fund recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Fund and specific criteria have been met for each of the Fund's activities. The Fund bases its estimates on historical results, taking into account the specifics of each arrangement.

(m) Expense recognition

All expenses, including the responsible entity fee, custodian and registry fees, are recognised in the Statement of Comprehensive Income on an accruals basis and are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event that can be reliably measured. Construction expenses include directly attributable expenses and developments and inventory items.

Expenses are recognised in the Statement of Comprehensive Income if expenditure does not produce future economic benefits that qualify for recognition in the Balance Sheet.

(n) Income Tax

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

(o) Goods & Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services have been passed on to the Fund. For the Premium Income Fund expenses have been recognised in the Consolidated Statement of Comprehensive Income inclusive of GST. For the controlled entities, expenses have been recognised in the Consolidated Statement of Comprehensive Income net of GST. Cash flows relating to GST are included in the Consolidated Statement of Cash Flows on a gross basis.

(p) Distribution Policy

Distributions paid by the Premium Income Fund are based on the availability of surplus cash and approved by the Directors after careful consideration to the Fund's future cash needs to meet its current commitments.

NOTE 4. CONTRIBUTED EQUITY

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.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2011

NOTE 5. CASH PAYMENTS TO UNITHOLDERS

On 12 December 2011, the Fund made a one cent per unit cash payment to Unitholders.

	31 December 2011 $000's	31 December 2010 $000's
Cash payments to Unitholders	**8,305**	7,550

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

A cash payment of 1.5 cents per unit was paid to Unitholders on 14 March 2012.

NOTE 6. OTHER FINANCIAL ASSETS

	31 December 2011 $000's	30 June 2011 (Restated) $000's
Asset backed investments	**193,989**	206,736
Provision for impairment	**(161,918)**	(154,612)
Written down value of other financial assets	**32,071**	52,124

Reconciliation of Provision for Impairment – Other financial assets	31 December 2011 $000's	30 June 2011 (Restated) $000's
Balance at the beginning of the financial period	**154,612**	149,354
Net (gain)/loss on other financial assets	**5,676**	5,483
Impairment provision reversed during the period	**(417)**	(225)
Additional impairment provision	**2,047**	-
Balance at the end of the financial period	**161,918**	154,612

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.

The largest single component of the written-down value of Other Financial Assets are loans of $20m made to Future Fuels Australia Pty Ltd. This borrower and other companies within the Future Fuels Group are currently in external management. The Fund has enforced its security, through petitioning the Court to appoint liquidators, and is taking all available steps to realise its security interest and pursue guarantors for any shortfall. At this stage the Directors believe the avenues available should realise repayment of the loans. However, this process depends upon the actions of the liquidators and so may take some time and the eventual proceeds are uncertain.

Notes to the Financial Statements (continued)

For the Half-Year Ended 31 December 2011

NOTE 7. RECEIVABLES

	31 December 2011 $000's	30 June 2011 (Restated) $000's
Trade receivables	**173**	46
Other Debtors	**5,133**	4,931
	5,306	4,977

NOTE 8. INVENTORY

Inventory consists of the finished apartments and the hotel that are actively being marketed for sale. The hotel's carrying value is $19.0m as per the last independent valuation in August 2011.

	31 December 2011 $000's	30 June 2011 (Restated) $000's
Finished goods	**21,065**	22,441

The independent valuation was carried out by Landmark White in August 2011 valuing the hotel at $19.0m. The valuation was prepared using discounted cash flows, capitalisation of net operating profit and direct comparison approach.

NOTE 9. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2011 $000's	30 June 2011 (Restated) $000's
Equity securities	**4,522**	5,845
Fixed interest securities	**3,642**	3,659
	8,164	9,504

Notes to the Financial Statements (continued)

For the Half-Year Ended 31 December 2011

NOTE 10. MORTGAGE LOANS

	31 December 2011 $000's	30 June 2011 (Restated) $000's
Mortgage loans – non-performing	**213,345**	212,885
Provision for impairment	**(89,460)**	(77,163)
Written down value of mortgage loans	**123,885**	135,722
Reconciliation of Provision for impairment – Mortgage loans		
Balance at the beginning of the financial period	**77,163**	55,436
Provision for impairment recognised during the period	**12,662**	22,321
(Gain)/Loss on Assets realised during the period	**(365)**	(594)
Balance at the end of the financial period	**89,460**	77,163

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.

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.

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. These mortgage loans are carried at the value expected to flow to the Fund on realisation and take into account:

- recent offers to purchase the assets or refinance the loans after sustained marketing campaigns;
- recent valuations of the underlying securities;
- the construction projects, the estimated completed value less the estimated cost to complete as provided by quantity surveyors;
- general marketing conditions;
- the financial position of the borrower; and
- the loan status.

The estimates completed by the Directors are considered having regard to the critical accounting estimate outlined in Note 3(c).

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.

Notes to the Financial Statements (continued)

For the Half-Year Ended 31 December 2011

The following table, which includes the Harbour Street, Wollongong hotel and unsold apartments, with a carrying value as per note 8 Inventory, segments the status of the mortgage loan portfolio and the carrying-values of the assets:

	Unconditional Contracts	Conditional Contracts	Directors Estimate: Marketing	Directors Estimate: Prepared for sale	Total
$'000	6,201	48,755	85,026	15,755	155,737
percentage	4.0%	31.3%	54.6%	10.1%	100%

Unconditional contracts	The security property has been sold, the contract is unconditional at the date of this report, but settlement had not occurred as at balance date.
Conditional contracts	The security property has been sold at the date of this report, but the contract is subject to various conditions such as due diligence and financing which must be satisfied or waived by the purchaser. The contracts have specified the time period allowed for the conditions to be met however this may be extended if in the best interests of the Fund. Where the contract on the underlying security is lower, the loan has been impaired to the contract amount. However, there can be no certainty that the conditions will be satisfied and the contract will complete.
Asset being actively marketed / Expression of interest received	The security property is presently being marketed for sale by independent marketing agents. In some cases an expression of interest has been received. In those cases discussions and negotiations continue at prices consistent with or above the loan carrying value. However, the final realization value will be a product of the negotiations, and there is no certainty that the underlying asset will ultimately be sold for these amounts. For completed residential apartments currently being sold on an individual apartment basis, the loan carrying value has been determined based on average sale prices achieved for similar apartments in the same development.
Asset being prepared for sale	The security property is being prepared to be marketed for sale. In these instances the carrying value has been assessed by the Directors based on reference to available market information. While this represents the best estimates of the recoverable amount of the loan, the current market uncertainty means that when the property is sold, the future price achieved may be materially different.

NOTE 11. PAYABLES

	31 December 2011 000's	30 June 2011 (Restated) $000's
Trade payables	**5,499**	7,118
Accrued expenses	**1,010**	1,215
GST payable	**44**	182
	6,553	8,515

Notes to the Financial Statements (continued)

For the Half-Year Ended 31 December 2011

NOTE 12. BANK LOAN

During the period a Controlled entity obtained a non-recourse loan to assist the Non-Controlling interest of that entity acquire from the Premium Income Fund 42.5% of the Chifley Hotel, 60-62 Harbour Street, Wollongong. Proceeds of the loan were used to purchase units from the Premium Income Fund in the Controlled entity. The loan is secured by a mortgage over the Chifley Hotel asset and collateral security from the Non-Controlling interest. There is no recourse upon, or provided by, the Premium Income Fund. The loan term is 3 years and is an interest only facility. Interest and finance costs on the loan are payable by the Non-Controlling interest.

	31 December 2011 $000's	30 June 2011 (Restated) $000's
Bank loan – Chifley Hotel	**9,500**	-

Another Controlled entity has a non-recourse agribusiness loan for the development and construction of farm sheds in Mareeba. The loan is secured by a mortgage over the property. There is no recourse upon, or provided by, the Premium Income Fund. The loan had an initial 10 year term with 8.5 years remaining. The loan is a principal and interest reducing facility.

	31 December 2011 $000's	30 June 2011 (Restated) $000's
Bank loan – Dole	**1,309**	1,359
Total – Bank Loans	**10,809**	1,359

NOTE 13. NON-CONTROLLING INTEREST

There are 2 Controlled entities. The first has a controlling interest in the Chifley Hotel 60-62 Harbour Street, Wollongong, NSW. The second has a controlling interest in an agricultural property in Mareeba, Qld.

Harbour Street, Wollongong, NSW	31 December 2011 $000's	30 June 2011 (Restated) $000's
Opening balance	**2,529**	4,483
Other movements in non-controlling interest	**(558)**	-
Net profit / loss	**(575)**	(656)
Cash payments	**-**	(1,298)
Non-controlling interest	**1,396**	2,529
Mareeba, Qld		
Opening Balance	**273**	242
Net profit / loss	**17**	31
Non-controlling interest	**290**	273
Total Non-controlling interest	**1,686**	2,802

Notes to the Financial Statements (continued)

For the Half-Year Ended 31 December 2011

NOTE 14. RELATED PARTY TRANSACTIONS

Responsible entity

The responsible entity is Wellington Capital Limited.

Custodian

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

Registry

The registry of the Fund is Armstrong Registry Services Limited (ACN 129 056 643).

Pursuant to clause 10.3 of the Explanatory Memorandum to the Notice of Meeting of the Fund dated 18 August 2008, Wellington Capital Limited as responsible entity of the Fund has had the responsibility for the provision of registry services to the Fund, with the ability to sub-contract the provision of those services to a third party.

Armstrong Registry Services Limited is an unlisted public company, owned two-thirds by a private company controlled by Jennifer Hutson, Managing Director of Wellington Capital Limited, the responsible entity, and provides registry services to the Fund. The services provided by Armstrong Registry Services Limited to the Fund are provided on an arms-length basis on normal commercial terms and conditions, not more favourable than those that would have been adopted if dealing with an unrelated registry services provider.

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 2011.

Related party	Purchases from related parties Half-year ended 31 December		Amounts owed by related parties As at 31 December		Amounts owed to related parties As at 31 December	
	2011 $	2010 $	**2011 $**	2010 $	**2011 $**	2010 $
Responsible entity – Wellington Capital Limited: Management fees	**150,271**	-	**-**	-	**-**	-
Associate – Armstrong Registry Services Limited: Registry Fees	**230,285**	227,700	**-**	-	**-**	-

NOTE 15. 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 16. CONTINGENT ASSETS AND LIABILITIES

The Fund does not have any contingent assets, liabilities or commitments apart from those specifically mentioned in this report.

Notes to the Financial Statements (continued)

For the Half-Year Ended 31 December 2011

NOTE 17. EVENTS OCCURRING AFTER BALANCE DATE

Since 31 December 2011 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.

A cash payment of 1.5 cents per unit was paid to Unitholders on 14 March 2012.

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 2011 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

Jenny Hutson

MGreaves.

Jennifer Hutson
Director

Mary-Anne Greaves
Director

Brisbane

15 March 2012

Independent Auditor's Review

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Independent auditor's review report to the members of 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 balance sheet as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Premium Income Fund (the consolidated fund). The consolidated fund comprises both the Premium Income Fund (the Fund) and the entities it controlled during that 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 (including the Australian Accounting Interpretations) 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 an Interim 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 financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated funds' financial position as at 31 December 2011 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.

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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Premium Income Fund is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated fund's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter - Significant uncertainty regarding recoverable amounts

We draw attention to Note 3(c), Note 6 and Note 10 to the financial statements.

In Note 3(c) the Fund discloses the uncertainty around the valuations of property security for mortgage loans and the recoverable amount of other financial assets. Note 10 discloses the status of the Fund's programme for realisation of security supporting the recoverable amounts of its mortgage loans, including in particular the fact that the recoverable amount of the mortgage loans is dependent on completing a number of conditional contracts and sales programmes.

Note 6 discloses the current status of its loans to Future Fuels Pty Ltd (in liquidation), the ultimate recoverability of which depends upon the actions of the Liquidators.

As a result there is significant uncertainty regarding the written down value of mortgage loans and other financial assets and the associated position recognised in the statement of comprehensive income. The final amounts realised could be different to the amounts recognised in the financial statements.

Our conclusion is not qualified in respect of these matters.

PricewaterhouseCoopers

PricewaterhouseCoopers

Robert Hubbard

Robert Hubbard
Partner

Brisbane
15 March 2012

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