

# Appendix 4E

## 1. Preliminary final report

Name of entity

Premium Investors Limited

ABN: 47 106 259 885

Report for the year ended 30 June 2011

Previous corresponding period  
is the financial year ended 30 June 2010

## 2. Results for announcement to the market

Revenues from continuing operations ( <i>item 2.1</i> )	down	7.7%	to	<u>A\$'000s</u> \$4,717
Profit (loss) from continuing operations after tax attributable to members ( <i>item 2.2</i> )	down	55.7%	to	\$8,036
Net profit (loss) after tax for the period attributable to members ( <i>item 2.3</i> )	down	55.7%	to	\$8,036
<b>Dividends (<i>item 2.4</i>)</b>				
The Board of Premium Investors Limited declared on 26 July 2011 a final dividend of 3.5 cents per share with a record date of 12 August 2011 and a payment date of 9 September 2011.				
An interim dividend of 3.5 cents per share was paid on 30 March 2011.				
A 2010 final dividend of 3.5 cents per share was paid on 22 September 2010.				
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	12 August 2011			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood ( <i>item 2.6</i> ):				
<p>The company posted a net profit after tax of \$8.0m mainly due to realised gains of \$0.26 million (2010: \$18.95 million profit) and unrealised gains of \$4.4 million (2010: \$3.0 million loss). The 2010 prior year realised gain was driven by the disposal of the company's direct equity portfolio for investments into unlisted investment trusts to achieve savings in relation to operational efficiencies in relation to running the portfolio.</p> <p>For the details, please refer to the attached Financial Report for the year ended 30 June 2011. Also, please see attached Chairman Address for detailed commentary.</p>				

### 3. Dividends *(item 6)*

	Date of payment	Total amount of dividend
Final dividend – period ended 30 June 2011	9 September 2011	\$3,363,154
Interim dividends – period ended 30 June 2011	30 March 2011	\$3,320,227
Final dividend – period ended 30 June 2010	22 September 2010	\$3,141,953

### Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign sourced dividend
<b>Final dividend:</b> Year ended 30 June 2011	3.5¢	100%	-¢
<b>Interim dividend:</b> Year ended 30 June 2011	3.5¢	100%	-¢
<b>Final dividend:</b> Year ended 30 June 2010	3.5¢	100%	-¢

### 4. Details of dividend or distribution reinvestment plans in operation are described below *(item 7)*:

A dividend reinvestment plan will be in operation for the 30 June 2011 final dividend. Under the DRP shareholders may elect to have all or part of their dividend reinvested into additional shares in the Company at a 5% discount to the weighted average price over the 5 days commencing on the day when the shares in the Company begin trading on an ex dividend basis. The price that the shares will be issued at under the DRP will be \$0.6776. The allocation date for the DRP shares will be 9 September 2011.

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan 12 August 2011.

### 5. Net tangible assets per security *(item 9)*

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	91.6¢	91.3¢

6. **The annual financial report is not subject to audit dispute or qualification.**  
*(item 17)*
  
7. **The remainder of information requiring disclosure to comply with listing rule 4.3A is contained in the attached 2011 annual report.**

**Periodic Disclosure Requirements Compliance Statement**

- 1 An annual report for the year ended 30 June 2011 is provided with the Appendix 4E information.
- 2 The annual report has been prepared in accordance with Australian Accounting Standards.
- 3 The Appendix 4E information gives a true and fair view of the matters disclosed in the annual financial report.
- 4 The Appendix 4E information is based on the annual financial report, which has been subject to audit.
- 5 The audit report or review by the auditor is provided with the annual financial report.



Sign here: ..... Date: 23 August 2011  
(Company Secretary)

Print name: Reema Ramswarup

**23 August 2011**

## **Chairman's Report**

### **Financial result for year ended 30 June 2011**

- Final Dividend of 3.5 cents per share, taking full year to 7 cents
- Net Profit after Tax of \$8.04 million
- Dividend Reinvestment Plan available for final dividend, at a 5% discount
- Share Purchase Plan of \$7,500 per shareholder, at a 5% discount
- Board continues to be focused on achieving high long-term real rate of return for investors

### **Prudent management of the Company's cost base have delivered positive results for shareholders**

The Board is pleased to report a Net Profit after Tax for the year ended 30 June 2011 of \$8.04m (2010 \$18.1m). The total dividend for the financial year ended 30 June 2011 is 7 cents, representing a dividend yield of 10% fully franked<sup>1</sup>.

Your Board's focus on restructuring the Company to a smaller, cost efficient structure over the past two years through a number of value enhancing initiatives continues to deliver value to shareholders. Your Board is committed to ensuring that shareholders receive the benefits of both strong financial performance and the financial benefits of franking credits, via dividend flows.

During the past year, the Company has successfully achieved a reduction in expenses and initiated measures to create a more efficient and transparent investment process appropriate for a smaller entity. These initiatives were developed with the aim of ensuring that your investment achieves a well-diversified low-risk structure, providing both attractive long term growth potential as well as a sustainable, tax effective high yield dividend return.

### **Dividend reinvestment plan and share purchase plan**

On 26 July 2011, the Company announced a Dividend Reinvestment Plan available for final dividend, at a 5% discount. On 5 August 2011, the Company announced that it would undertake a Share Purchase Plan for the issue of ordinary shares of \$7,500 per shareholder available at a 5% discount.

### **Continued support of loyal shareholders**

Premium shareholders continue to support the Company's unique investment strategy. Individuals and self-managed super funds benefit from having access to a range of investment managers and access to expertise in a range of investment markets. In August 2009, the Company undertook a substantial off-market buy-back. At the time, approximately 40% of investors elected to remain as

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<sup>1</sup> Based on 12 month volume weighted average share price to 30 June 2011

shareholders of the Company. Of the shareholders who elected to not fully participate in the buy-back approximately 70% remain as shareholders today. Those Shareholders have been rewarded with dividends of 15.5 cents per share and the opportunity to re-invest those dividends at an attractive discount.

### **Company prospects and long term aims**

The share price of a listed investment company often differs from its NTA per share. At present, many listed investment companies including Premium, are trading at significant discounts to their underlying NTA. Under the terms of the Company's constitution, your Board will be tabling an ordinary resolution at the AGM in October to afford shareholders the opportunity to vote on the continuation of the company's business in its current form or otherwise (as per the Company's constitution). Shareholders will be provided with more details on the resolution and the Board's recommendation with the notice of meeting which will be sent to shareholders in late September.

Your Board will continue to concentrate on providing loyal shareholders with a well-managed, high yielding and well diversified investment solution for both small and large investors. Our key aims are to build wealth by providing a competitive growth profile over changing market conditions, but at the same time providing investors with a superior income return throughout all stages of the market cycle. Premium continues to be well positioned to benefit from a recovery in the global economies and investment markets.

### **Summary financial results for the period ended 30 June 2011:**

- Revenue from continuing operations including dividend and interest \$4.72m (2010: \$5.1m)
- Realised gains from investment activities \$0.3m (2010: \$19.0m)
- Unrealised gains from investment activities \$4.4m (2010: loss \$3.0m)
- Operating expenses including administration and portfolio management \$1.37m (2010: \$3.0m)
- Net Profit after tax \$8.04m (2010: \$18.1m)

**Tom Collins**



**Chairman**



**Annual Financial Report  
for the year ended 30 June 2011**

**Premium Investors Limited**  
**ABN 47 106 259 885**

**Corporate Information**

**Directors**

Tom Collins  
John Elfverson (Resigned 27 October 2010)  
Kenneth Stout  
Reubert Hayes  
Lindsay Mann (Appointed 5 July 2011)

**Company Secretary**

Reema Ramswarup

**Registered Office**

Level 5, 50 Margaret Street  
Sydney, New South Wales, 2000  
Phone (02) 8243 - 0400  
Facsimile (02) 8243 - 0410

**Banker**

Westpac Banking Corporation

**Investment Custodian**

RBC Dexia Investor Services Trust

**Share Register**

Computershare Investor Services Pty Limited  
452 Johnston Street  
Abbotsford, Victoria, 3067  
(03) 9415 5000

**Auditors**

Ernst & Young  
680 George St  
Sydney, NSW, 2000

**Internet Address**

[www.premiuminvestors.com.au](http://www.premiuminvestors.com.au)

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## Directors' Report

The Directors present their report together with the financial report of Premium Investors Limited, for the year ended 30 June 2011 and independent audit report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

### Information on Directors and Company Secretary

The names and details of the Directors in office at any time during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### Names, qualifications and special responsibilities

#### Mr Tom Collins (Chairman)

Diploma of Financial Planning, Diploma of Business (Real Estate Management), FAICD

Mr Collins has had 44 years experience in the financial services sector, specialising in the financial planning industry, where he has been widely recognised in industry publications as a commentator, innovator and person of influence.

He is the principal of Tom Collins Consultancy, a business he founded in 1998 to provide strategic assessments and distribution expertise to the financial services industry.

Mr Collins is a director of FSP Super Pty Limited. He is also Chairman of the Selectus Group of salary packaging companies.

Prior to the commencement of his consultancy, Mr Collins had a long and varied career in the financial services industry. In his time he has been an investment adviser, state manager for a fund manager, the founder of a financial planning company and an executive director of one of the major financial planning groups.

Mr Collins is a member of the Audit Committee.

#### Mr John Elfverson (Non-Executive Director) (Resigned 27 October 2010)

Bachelor of Engineering

Mr Elfverson has extensive experience in listed and unlisted investments, including equity and debt markets and derivatives. Mr Elfverson was previously in a range of management roles for the Australian Stock Exchange including the management of the ASX/Standard and Poor's index relationship, qualitative and technical support to ASX operations and information product development and enhancement. Prior to joining the ASX in 2001, John was Manager of Research at Assirt Pty Limited. John resigned from the board on 27 October 2010.

#### Mr Kenneth Stout (Non-Executive Director)

Australian Chartered Accountant, Diploma Business (Accounting), Graduate Diploma of Bus (Accounting), Chartered Secretary

Mr Stout has over 28 years commercial experience, 13 years as a partner of Ernst and Young Corporate Services where he specialised in corporate recovery, advisory and litigation support. Mr Stout has extensive experience in the conduct of prudential financial risk reviews of numerous businesses, in particular for lead syndicate financiers and funding underwriters. He conducted lending risk review programs for various main stream lenders, concentrating on lending risks in new or non-traditional areas. Mr Stout currently provides specialist financial and corporate advisory services to small and medium businesses.

Mr Stout is an Associate of the Institute of Chartered Accountants in Australia, an Associate of the Chartered Institute of Company Secretaries in Australia, an Associate Member of the Insolvency Practitioners Association of Australia and an Associate and Graded Arbitrator of the Institute of Arbitrators and Mediators Australia.

Mr Stout is the Chair of the Audit Committee.

#### Reubert Hayes (Non-Executive Director)

SF, Fin, FAICD

Mr Hayes has over 43 years experience in investment management and stockbroking research. He was a founder and CEO of Ausbil Dexia Limited, a specialist wholesale boutique asset management operation, and in 1984 was a joint founder of Barclays Bank investment operations. Mr Hayes was CEO of Barclays Investment Management in Australia for 12 years until 1996. Prior to 1984 Mr Hayes was a Member of the Australian Stock Exchange and was Research Partner of an institutional specialist stockbroking house for six years. Prior to this he held senior investment roles with AMP and Westpac.

**Directors' Report (Cont'd)**

Mr Hayes has been a Director of Treasury Group Limited since 22 February 2007 and was previously a Director of Emerging Leaders Investment Limited. He is a Senior Fellow of the Financial Services Institute of Australia, and a Fellow of the Australian Institute of Company Directors.

**Lindsay Mann (Non-Executive Director) (Appointed 5 July 2011)**

BA, Fellow of the Institute of Actuaries of Australia, Member of the Hong Kong Securities Institute, MAICD

Lindsay Mann has more than 36 years' financial services experience. He was formerly CEO (Singapore) and Regional Head Asia for First State Investments, the Asian business of Colonial First State Global Asset Management. Prior to this, Mr Mann was CEO of AXA Investment Managers in Hong Kong. He is a Fellow of the Institute of Actuaries of Australia and a member of the Australian Institute of Company Directors and the Hong Kong Securities Institute.

Mr Mann is currently an independent director of BRIM Asian Credit Fund, a Cayman Islands domiciled hedge fund managed by Singapore based Blue Rice Investment Management and an independent member of the Compliance Committee of Aviva Investors Australia.

**Reema Ramswarup (Company Secretary)**

BA (Justice Administration)

Ms Ramswarup commenced with Treasury Group Investment Services Limited in March 2008. Ms Ramswarup has worked in company secretarial roles at Watty and AMP and has secretariat experience in local government and professional services. Ms Ramswarup has completed her Graduate Diploma in Applied Corporate Governance through Chartered Secretaries Australia.

**Interests in the shares and options of the Company**

As at the date of this report, the interests of the Directors in the shares of Premium Investors Limited were:

	<b>Ordinary shares fully paid number</b>
Tom Collins	95,918
Kenneth Stout	24,141
Lindsay Mann	70,710

<b>Earnings Per Share</b>	<b>Cents</b>
Basic earnings per share	8.57
Diluted earnings per share	8.57

<b>Dividends</b>	<b>Cents</b>	<b>\$</b>
Final dividends recommended:		
On ordinary shares fully franked	3.5	3,363,154
Final dividends for 2010 shown as recommended in the 2010 report:		
On ordinary shares fully franked	3.5	3,141,953
Dividends paid in the financial period:		
<i>Interim for the financial period</i>		
On ordinary shares fully franked	3.5	3,320,227

## Directors' Report (Cont'd)

### Corporate information

#### Corporate structure

Premium Investors Limited is an ASX Listed company limited by shares that is incorporated and domiciled in Australia.

#### Nature of operations and principal activities

Premium Investors Limited is an investment company that operates on the principle of pooled investment and specialises in the management of marketable securities. There has been no significant change in the nature of the activities during the year ended 30 June 2011.

#### Business strategies and prospects for future financial years

Premium Investors Limited will continue to focus on the management and investment of listed securities, via investments in unlisted unit trusts, both domestically and internationally using the expertise of boutique asset managers.

#### Employees

The Company procures services under a management agreement as disclosed in Note 15 to the financial statements and as such has no direct employees.

### Operating results for the year ended 30 June 2011

#### Review of operations

The Company incurred a net profit after tax of \$8.0m (2010: \$18.1m). This was mainly due to the decrease in global investment markets resulting in the recognition of realised gains of \$0.3m (2010: \$18.9m) in the Statement of Comprehensive Income.

As at 30 June 2011, \$5.5m of deferred tax assets have been recognised relating to realised tax losses. This has been determined in consultation with the Company's auditors in relation to the application of the accounting standard AASB 112 "Income Taxes" and the ability of the Company to be able to utilise these losses in a reasonable period.

#### Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year.

#### Significant events after the balance date

On 5 July 2011 Lindsay Mann was appointed as a Non-Executive Director of the Company.

On 12 August 2011, the Directors of Premium Investors Limited declared a final dividend on ordinary shares in respect of the financial year 30 June 2011. The total amount of the dividend is \$3,363,154 (2010: \$3,141,953) which represents a fully franked dividend of 3.5 cents per share (2010: 3.5 cents). The dividend has not been provided for in the 30 June 2011 financial statements.

Under the terms of the company's Constitution, the Board will be tabling an ordinary resolution at the AGM in October to afford shareholders the opportunity to vote on the continuation of the company's business in its current form or otherwise (as per PRV's constitution). Shareholders will be provided with more details on the resolution and the Board's recommendation with the notice of meeting which will be sent to shareholders in late September. As the details and outcomes of this resolution are unknown, the going concern assumption continues to be applied to the financial report.

#### Likely developments and expected results

In the opinion of the Directors, disclosure of information regarding likely developments in the operations of the Company and the expected results of those operations other than matters referred in the Chairman's address would prejudice the Company's interest. Accordingly no further information is included in this report.

## Directors' Report (Cont'd)

### Environmental regulation and performance

The Company's operations are not presently subject to significant environmental regulation under the law of the Commonwealth and State.

### Indemnification and insurance of Directors, Officers and Auditors

The Company has entered into an agreement for the purpose of indemnifying Directors and officers of the Company against all losses and liabilities incurred by the Directors or officers on behalf of the Company.

The following liabilities, except for a liability for legal costs, are excluded from the above indemnity:

- A liability owed to the Company or related body corporate;
- A liability for pecuniary penalty order under section 1317G or a compensation order under section 1317H of the Corporations Act;
- A liability owed to someone other than the Company or a related body corporate and did not arise out of conduct in good faith;
- Any other liability against which the Company is precluded by law from indemnifying the Director.

The insurance contract prohibits the disclosure of the insurance premium for insuring officers of the Company against a liability which may be incurred in that person's capacity as an officer of the Company. No indemnities have been given, or insurance premiums paid for auditors of the Company.

### Proceedings on behalf of the Company body

No person has applied for leave of court to bring proceedings on behalf of the Company.

### Remuneration report (Audited)

#### Remuneration policy

The full Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board. No component of remuneration is directly related to performance and no Key Management Personnel are employed under contract.

Details of the nature and amount of each element of the remuneration of each Director of the Company are as follows:

	Annual Remuneration Short Term Base Fees \$	Post Employment Benefits \$	Total \$
<b>30 June 2011</b>			
Tom Collins (Chairman)	64,220	5,780	70,000
John Elfverson (Non-Executive Director)	15,290	1,376	16,666
Kenneth Stout (Non-Executive Director)	36,697	3,303	40,000
Reubert Hayes (Non-Executive Director)	<u>36,697</u>	<u>3,303</u>	<u>40,000</u>
Total	<u>152,904</u>	<u>13,762</u>	<u>166,666</u>
<b>30 June 2010</b>			
Tom Collins (Chairman)	64,220	5,780	70,000
John Elfverson (Non-Executive Director)	36,697	3,303	40,000
Kenneth Stout (Non-Executive Director)	36,697	3,303	40,000
Reubert Hayes (Non-Executive Director)	<u>36,697</u>	<u>3,303</u>	<u>40,000</u>
Total	<u>174,311</u>	<u>15,689</u>	<u>190,000</u>

The Company Secretary did not receive any remuneration from the Company. The services of the Company Secretary are outsourced to Treasury Group Investment Services Limited. There are no other key management personnel.

**Directors' Report (Cont'd)**

**Directors' meetings**

The number of meetings of Directors (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director were as follows:

	Directors Meeting		Audit Committee Meetings	
	A	B	A	B
John Elfverson	4	4	-	-
Kenneth Stout	7	7	3	3
Reubert Hayes	7	7	-	-
Tim Collins	7	7	3	3

A = Eligible to attend  
 B = Attended

**Audit Committee membership**

As at the date of this report, the Company had an Audit Committee comprised of Mr Stout and Mr Collins, with Mr Stout as Chairman of the Audit Committee.

**Share options**

As at the date of this report, there were no un-issued ordinary shares under options (2010: Nil).

**Auditor Independence and non-audit services**

The Auditor's Independence Declaration is set out on page 6 and forms part of the Directors' Report for the year ended 30 June 2011. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit services provided means that auditor independence was not compromised.

Ernst & Young received \$8,000 in respect to tax services.


**Rounding**

The amounts contained in this report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity in which the Class Order applies.

**Corporate governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Premium Investors Limited support the principles of corporate governance and have applied these principles where appropriate. The Company's corporate governance statement is contained in the following section of this annual financial report.

Signed in accordance with a resolution of the Directors:

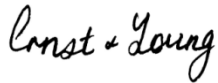
Director ..... 

TOM COLLINS

Dated this 23th day of August 2011

## Auditor's Independence Declaration to the Directors of Premium Investors Limited

In relation to our audit of the financial report of Premium Investors Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Rita Da Silva  
Partner  
23 August 2011

## Corporate Governance Statement

The ASX Corporate Governance Council has published Corporate Governance Principles and Recommendations ("ASX Principles") on what it considers to be best practice in conducting the business of a listed company. The ASX Listing Rules require companies to disclose their compliance with the Guidelines on an "if not, why not" basis in their Annual Report to shareholders.

The Guidelines set out best practice in the form of eight principles:

1. Lay solid foundations for management and oversight
2. Structure the board to add value
3. Promote ethical and responsible decision making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

Premium Investors' adherence to each of these principles, together with details of the policies adopted by the Board to ensure compliance is described on a principle by principle basis below.

All policies and charters referred to in this Corporate Governance Statement are available on the Premium Investors website [www.premiuminvestors.com.au](http://www.premiuminvestors.com.au).

### Foundations for management and oversight

The Company has appointed Treasury Group Investment Services Limited (TIS) to provide day to day management services and investment management services in relation to the funds invested to the Company. Under this management agreement, TIS provides accounting, company secretarial and marketing co-ordination services. The Board is responsible for monitoring the performance of TIS.

The Board has adopted a Board of Directors' Charter which sets out the Company's goals, governance processes and relationship between the Board and TIS. This charter recognises the role of the Board to be:

- to effectively represent and promote the interests of Shareholders with a view to adding long-term value to the Company's shares.
- to reach agreement with TIS to achieve specific results directed towards the Company's goals.

The Board believes that enhanced performance will be promoted by:

- structuring the Board to add value
- ensuring that each of the Directors has the skills required and an adequate induction to the Company
- access to appropriate information
- clear definition of the Directors' responsibilities
- annual reviews of the performance of each member, the committees appointed by the Board and the Board itself

The Board has adopted a formal Charter to ensure a continuing focus on these and other issues. New members of the Board are invited to join the Board under a nomination process directed at identifying appropriate competencies and provided with a folder of essential Board and Company information to assist them in understanding the goals, strategy and history of the Company as well as induction meetings with the Chairman and TIS representatives. The goals of the Company are agreed in advance with TIS which is then charged with implementing the strategy of the Board. The performance of TIS under the Management Agreement is reviewed jointly by the Managing Director of TIS and the Chairman of Premium Investors annually.

## Corporate Governance Statement (Cont'd)

### Structure of board

The current Board consists of four non executive directors, three of whom are independent in accordance with the definition provided in the ASX Principles. Mr Hayes is not considered independent as he is a director of Treasury Group Limited, the ultimate parent company of TIS, Premium Investors' investment manager. The skills and experience of each director is set out in the Directors' Report, as well as the number of meetings held during the year and attendance by directors.

The Chairman of the Board, Mr Collins is independent.

The Company does not have a CEO. TIS provides day-to-day management services.

#### *Directors' Appointment Dates:*

Tom Collins – 26 October 2005

Kenneth Stout – 16 September 2003

Reubert Hayes – 18 February 2009

Lindsay Mann - 5 July 2011

The Board believes that the current Board structure is appropriate to the scope and nature of the Company's activities.

In the Board's opinion, the size of the Board does not justify a separate Nominations Committee and it is the responsibility of the entire Board to consider the nomination process. While individual activities may be delegated from time to time, the overall process will remain a function of the Board.

The Board conducts an annual review of the performance of each of its members and the Board as a whole in accordance with the Charter. Each member is required to respond in writing to a written questionnaire which is approved by the Board.

### Decision making

The Directors have adopted a Directors Code of Conduct and a written policy on Conflict of Interest and Related Party Transactions which further defines the acceptable conduct by Directors.

All Directors, TIS staff and employees of Investment Managers ("connected persons") appointed to manage the Company's investments are bound by the Company's Securities Trading Policy. This policy provides that connected persons who are not in possession of insider knowledge may trade in the Company's securities within defined trading windows following the announcement of results (including monthly NTA notifications to the ASX) and the Annual General Meeting.

During this financial year the Board established a Diversity Policy. The Board's measurable objective for gender diversity is targeting at least one female Director on the Board by no later than 2014. There are currently no female members of the Board.



## **Corporate Governance Statement (Cont'd)**

### **Financial reporting**

Premium Investors requires responsible officers of TIS to state to the Board in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. These officers are also required to state to the Board in writing that the Company's risk management and compliance and control systems are operating effectively and efficiently in all material respects.

The attestations by the responsible officers of TIS are required before the Directors' sign off on the Annual Report.

ASX Listing Rules require that the Company reports the Net Tangible Asset backing per share each month and this information is available through the ASX Company Announcements Platform and the Company's website. The Net Tangible Assets reported are calculated in the same manner as the Statement of Comprehensive Income in the Half Yearly and Annual Accounts.

The ASX Principles recommend that the Audit Committee consists of:

- Only non executive members (who are financially literate)
- A majority of independent directors
- An independent Chairperson who is not Chairperson of the Board
- At least 3 members

The Board considers that due to the nature and scope of the Company's activities, the present composition of the Audit Committee of two independent directors is adequate. The Committee is chaired by Mr Stout who is a chartered accountant and registered company auditor, and the second member of the Committee, Mr Collins is also financially literate and experienced in the role of a member of an audit committee.

The Company has adopted an Audit Committee charter setting out the Committee's organisation, purpose and duties and responsibilities.

### **Disclosure**

The Board is committed to ensuring that shareholders and the market remain fully informed of its activities and progress at all times, and that the Company complies with the continuous disclosure requirements set out in Chapter 3 of the ASX Listing Rules. The Board has adopted a formal Shareholder Communications Policy to ensure that these issues are addressed.

The Shareholder Communications Policy is available on the Company's website.

The Board has designated the Company Secretary as the person responsible for ensuring compliance and that the Company immediately informs the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to invest in or dispose of the Company's securities.

In addition to the reporting requirements that apply to all listed companies, the ASX Listing Rules require Listed Investment Companies to report the net tangible asset backing per share each month by the 14th day of the following month. These reports provide investors with regular updates in the performance of Premium Investors' investment portfolio. Upon confirmation of receipt from the ASX, the Company posts all information disclosed to the market through the ASX Company Announcements Platform and the Company's website.

## **Corporate Governance Statement (Cont'd)**

### **Rights of shareholders**

The ASX Corporate Governance Council recognises that the key elements in ensuring the rights of shareholders are:

- effective communications which provide shareholders with access to the information they need to make informed decisions about their investment
- promoting shareholder participation in general meetings. The Company's formal policy on communications with shareholders is set out under its continuous disclosure and shareholder communication policies available on the Company's website.

We recognise that good communication is a two way process and encourage shareholders to contact the Company with any questions or concerns they may have. The Board has adopted a policy of reviewing written communications and the Company's response to them at each Board Meeting. The guidelines also highlight the role played by general meetings in providing an opportunity for shareholders to communicate with the Company. Premium Investors has a geographically diverse shareholder base and seeks to provide opportunities for a larger number of investors to participate in these meetings by holding the meetings in different cities each year. We request that the external auditor attends general meetings and is available to answer questions shareholders might have about the audit and audit process.

### **Manage risk**

The Board has established an Audit and Risk Committee to oversee Financial Reporting, the independence of external auditors and to identify, assess and monitor other risks to the Company. The structure and responsibilities of this committee are set out in the Audit and Risk Committee Charter.

Premium Investors outsources the management of its investment portfolio and the provision of day-to-day management services to TIS under a formal management agreement. Performance is monitored through reports to the Board on investment performance and other issues.

The TIS Investment Committee is responsible for dealing with issues arising from investment risk. By its nature as a Listed Investment Company, the Company will always carry investment risk because it must invest its capital in securities which are not risk free. However, the Company seeks to reduce this investment risk by a policy of diversification of investments across boutique investment managers operating in various sectors of the market.

The Board has obtained written confirmation from responsible officers of TIS that the financial accounts and reporting are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and the risk management and internal compliance and control systems of the Company are operating efficiently and effectively in all material aspects, based on their application and assessment as to their effectiveness.

### **Remuneration policy**

Premium Investors outsources investment management and the day-to-day management of the Company to TIS, and so does not directly employ any executives or have an executive remuneration policy.

The ASX Corporate Governance Council Guidelines recommend the establishment of a Remuneration Committee comprising at least 3 directors. The Board does not believe a separate Remuneration Committee is warranted in its circumstances and this function is carried out by the full Board. Non Executive Directors are paid their fees out of the maximum aggregate amount approved by the shareholders for the remuneration of Non Executive Directors (currently \$200,000 per year) in accordance with the Company's Non Executive Director Remuneration Policy.

Non Executive Directors are also entitled to statutory superannuation, but are not entitled to bonus payments or options. The Company pays the premiums for indemnity and insurance cover for each Director in their capacity of Director. Details of payments made to each Director are set out in the Directors' Report.

Premium Investors operates an Employee Share Plan which was approved by shareholders at the Annual General Meeting in November 2006. Under this plan, directors are permitted to salary sacrifice all or part of their remuneration in favour of purchasing shares in Premium Investors. The shares are purchased on market and eligible participants are offered the same discount as applies to the Dividend Reinvestment Plan. Purchases take place at the time dividends are paid to shareholders. None of the Directors participated in this plan during the financial year.

**Premium Investors Limited**  
**ABN 47 106 259 885**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2011**

**Statement of Comprehensive Income**

	Notes	2011 \$'000	2010 \$'000
Revenue	2(a)	4,717	5,112
Realised gains on financial assets at fair value through profit and loss		264	18,953
Unrealised gains/(losses) on financial assets at fair value through profit and loss		4,405	(2,995)
Expenses	2(b)	<u>(1,375)</u>	<u>(2,987)</u>
<b>Profit before income tax expense</b>		<b>8,011</b>	18,083
Income tax benefit	3(a)	<u>25</u>	<u>57</u>
<b>Profit after tax expense</b>		<b>8,036</b>	18,140
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b><u>8,036</u></b>	<b><u>18,140</u></b>
Basic earnings per share (cents per share)	14	8.57	14.37
Diluted earnings per share (cents per share)	14	8.57	14.37

*The accompanying notes form part of these financial statements.*

**Premium Investors Limited**  
**ABN 47 106 259 885**  
**Statement of Financial Position**  
**As at 30 June 2011**

**Statement of Financial Position**

	Notes	2011 \$'000	2010 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	5	152	129
Trade and other receivables	7	3,125	1,497
Other current assets	8	70	81
Financial assets at fair value through profit or loss	6	79,430	75,373
Deferred tax asset	3(d)	<u>5,508</u>	<u>5,508</u>
<b>Total assets</b>		<u><b>88,285</b></u>	<u><b>82,588</b></u>
<b>LIABILITIES</b>			
Trade and other payables	9	<u>226</u>	<u>581</u>
<b>Total liabilities</b>		<u><b>226</b></u>	<u><b>581</b></u>
<b>Net assets</b>		<u><b>88,059</b></u>	<u><b>82,007</b></u>
<b>EQUITY</b>			
Contributed equity	10	108,249	103,771
Retained earnings	11	<u>(20,190)</u>	<u>(21,764)</u>
<b>Total equity</b>		<u><b>88,059</b></u>	<u><b>82,007</b></u>

*The accompanying notes form part of these financial statements.*

**Premium Investors Limited**  
**ABN 47 106 259 885**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2011**

**Statement of Changes in Equity**

	Notes	Issued Capital \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 July 2009</b>		<u>220,827</u>	<u>(35,459)</u>	<u>185,368</u>
Profit for the year		-	18,140	18,140
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>18,140</u>	<u>18,140</u>
Dividends provided for or paid	4	-	(4,445)	(4,445)
Shares bought back	10(b)	(118,061)	-	(118,061)
Issue of shares	10(b)	1,005	-	1,005
		<u>(117,056)</u>	<u>(4,445)</u>	<u>(121,501)</u>
<b>Balance at 30 June 2010</b>		<u>103,771</u>	<u>(21,764)</u>	<u>82,007</u>
<b>Balance at 1 July 2010</b>		<u>103,771</u>	<u>(21,764)</u>	<u>82,007</u>
Profit for the year		-	8,036	8,036
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>8,036</u>	<u>8,036</u>
Dividends provided for or paid	4	-	(6,462)	(6,462)
Issue of shares	10(b)	4,478	-	4,478
		<u>4,478</u>	<u>(6,462)</u>	<u>(1,984)</u>
<b>Balance at 30 June 2011</b>		<u>108,249</u>	<u>(20,190)</u>	<u>88,059</u>
		<b>2011</b>		2010
Final Franked dividends per share (cents per share)	4	<b>3.50</b>		3.50
Interim Franked dividends per share (cents per share)	4	<b>3.50</b>		5.00

*The accompanying notes form part of these financial statements.*

**Premium Investors Limited**  
**ABN 47 106 259 885**  
**Statement of Cash Flows**  
**For the year ended 30 June 2011**

**Statement of Cash Flows**

	Notes	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers		(1,756)	(2,729)
Dividends and distributions received		2,660	3,804
Interest received		47	602
Other income received		410	24
Income tax received		<u>25</u>	<u>57</u>
<b>Net cash inflow from operating activities</b>	12(a)	<u><b>1,386</b></u>	<u><b>1,758</b></u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of financial assets		9,559	250,149
Purchase of financial assets		<u>(8,938)</u>	<u>(163,178)</u>
<b>Net cash inflow from investing activities</b>		<u><b>621</b></u>	<u><b>86,971</b></u>
<b>Cash flows from financing activities</b>			
Payments for shares bought back		-	(118,061)
Proceeds from issue of ordinary shares		2,797	-
Dividends paid		<u>(4,781)</u>	<u>(3,441)</u>
<b>Net cash outflow from financing activities</b>		<u><b>(1,984)</b></u>	<u><b>(121,502)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the financial year		<u>129</u>	<u>32,902</u>
<b>Cash and cash equivalents at end of year</b>	12(b)	<u><b>152</b></u>	<u><b>129</b></u>
Non-cash financing activities	12(d)	<b>1,681</b>	1,004

*The accompanying notes form part of these financial statements.*

## 1 Summary of significant accounting policies

### (a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The Statement of Financial Position 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. All balances are expected to be recovered or settled within twelve months, except for financial assets and liabilities at fair value through profit or loss and deferred tax asset. The amount expected to be recovered or settled within twelve months in relation to these balances cannot be reliably determined.

The financial report has been prepared on an accrual and historical cost basis, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

As disclosed in Note 17 and in the Directors Report as the details and outcomes of the resolution being placed to the AGM in October 2011 in respect to the continuation of the business in its current form are unknown, the going concern assumption continues to be applied to the financial report.

The Board authorised the report for issue on 23 August 2011.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### (b) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purpose of presentation in the Statement of Cash Flows, Cash and Cash Equivalents comprise cash and short-term deposits as described above.

### (c) Trade and other receivables

Trade and other receivables are recorded at amounts due less any allowance for impairment. Cash flows relating to short term receivables are not discounted as any discount would be immaterial.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. The Company did not have any impaired receivables (2010: Nil).

### (d) Payables

Accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services, and are carried at amortised cost and due to their short term nature they are not discounted.

## 1 Summary of significant accounting policies (Cont'd)

### (e) Contributed equity

Share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

### (f) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### Interest

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

#### Dividends

Dividends are recognised as revenue when the right to receive the dividend is established.

### (g) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Current tax is the expected tax payable on the taxable income, for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax liability is recognised for all taxable temporary differences including net unrealised gains on investments. Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by reporting date.



## 1 Summary of significant accounting policies (Cont'd)

### (h) Financial instruments

#### (i) Financial assets

The Company has classified its holdings of long-term securities and options at fair value through profit and loss. These non-current assets are initially brought to account at cost, on trade date.

AASB 139 defines fair value as the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Shares and options are presented at fair value using "bid" prices on long positions, and "offer" prices on short positions.

#### (ii) Income from investments

Distributions and dividends relating to listed securities are recognised as income when those securities are quoted in the market on an ex-distribution/dividend basis. Interest is brought to account on an accruals basis.

#### (iii) Derivative financial instruments

The Company may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. At reporting date, no derivatives have been designated as hedging instruments.

#### (iv) Unlisted investments

For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flows analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum. The fair value of units in a managed investment scheme is determined by reference to published bid prices at the close of business on the balance sheet date being the redemption prices as established by the underlying Scheme's Responsible Entity.

Refer to note 20 for the methods and assumptions applied in determining fair value for each class of financial instrument.

### (i) Earnings per share

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

## 1 Summary of significant accounting policies (Cont'd)

### (j) Foreign currencies

Transactions in foreign currencies are translated into functional currency, at the rate of exchange ruling, at the date of acquisition.

Foreign currency monetary items that are outstanding at reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report are recognised in the profit and loss in the period they arise.

Non monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### (k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (l) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

## 1 Summary of significant accounting policies (Cont'd)

### (m) New accounting standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report.

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 Financial Instruments* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the profit or loss for the period. The Company has not yet decided when to adopt AASB 9. However, the Directors do not expect this will have a significant impact on the Company's financial statements as the Company does not hold any available-for-sale investments.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the amended standard from 1 July 2011. The Directors do not expect this will have a significant impact on the Company's financial statements.

(iii) *Improvements to IFRSs* (effective from 1 January 2011)

In May 2010, the IASB made a number of amendments to the International Financial Reporting Standards as part of its ongoing improvements project. The AASB is expected to make equivalent amendments to the Australian Accounting Standards shortly. The Company does not expect that any adjustments will be necessary as the result of applying the revised rules.

(iv) AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB made amendments to AASB 7 *Financial Instruments: Disclosures* which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The Company will apply the amendments and make the additional disclosures from 1 July 2011. Comparative information does not need to be disclosed in the first year.

(v) AASB 2011-2 *Consolidated Financial Statements* (effective for annual reporting periods beginning on or after 1 January 2011)

IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and SIC-12 - *Consolidation Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The Directors do not expect this will have a significant impact on the Company's financial statements.

(vi) AASB 2011-2 *Joint Arrangements* (effective for annual reporting periods beginning on or after 1 January 2011)

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Ventures*. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. The Directors do not expect this will have a significant impact on the Company's financial statements as the Company does not have any joint arrangements.

## 1 Summary of significant accounting policies (Cont'd)

### (m) New accounting standards and interpretations (Cont'd)

(vii) AASB 2011-2 *Disclosure of Interests in Other Entities* (effective for annual reporting periods beginning on or after 1 January 2011)

IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The Directors do not expect this will have a significant impact on the Company's financial statements.

(viii) AASB 2011-2 *Fair Value Measurement* (effective for annual reporting periods beginning on or after 1 January 2011)

IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. The Directors do not expect this will have a significant impact on the Company's financial statements.

### (n) Reclassification

Certain prior year amounts have been reclassified in Note 2 (b) for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

## 2 Revenue and expenses

	2011 \$'000	2010 \$'000
<b>(a) Revenues from continuing operations</b>		
Interest	38	543
Dividends/distributions	4,299	4,546
Fund management fee rebates	341	13
Other income	39	10
	4,717	5,112
<b>(b) Profit from continuing operations has been arrived at after charging the following expenses</b>		
Administration costs	778	932
Share buyback costs	-	618
ASX and share registry costs	176	283
Fund management fees	336	961
Performance fee	85	193
	1,375	2,987

In accordance with the Investment Management agreement between Premium Investors Limited and its investment manager Treasury Group Investment Services Limited (TIS), a base management fee of 0.9% is charged. From June 2010, for operational efficiency purposes the Company has gained its investment exposure via investments into managed investment schemes rather than directly held securities. As was the case prior to the change in investment restructure, TIS earns 0.4% for performing its function for managing the Company's portfolio which is charged directly to the Company by TIS and is disclosed in Note 2(b) as 'Fund management fees'.

The remaining 0.5% is earned by the underlying fund managers in managing the portfolio assets and is implicit in the unit price of each scheme. A rebate is provided to the Company to adjust the fee charged per the PDS to the 0.5% which is per the investment management agreement TIS entered into with each underlying fund manager. This rebate is disclosed in Note 2(a). These three components aggregate to the 0.9% as charged under the Investment Management agreement between the Company and TIS. Refer to Note 15 for further information relating to fees to related parties.

### 3 Income tax

	2011 \$'000	2010 \$'000
<b>(a) The components of tax benefit:</b>		
Current Tax	(25)	(57)
Deferred tax	<u>-</u>	<u>-</u>
Total income tax benefit	<u>(25)</u>	<u>(57)</u>
<b>(b) The prima facie tax, using tax rates applicable in the country of operation, on profit differs from the income tax provided in the financial statement as follows:</b>		
Profit before tax benefit	<u>8,011</u>	<u>18,083</u>
At the statutory income tax rate of 30% (2010: 30%)	<u>2,403</u>	<u>5,425</u>
Tax effect of amounts which are deductible in calculating taxable income		
Rebateable dividends / distributions	(974)	(1,204)
Movement in unrealised investments	(1,322)	899
Other adjustments arising from tax losses not recognised	<u>(132)</u>	<u>(5,177)</u>
Income tax benefit	<u>(25)</u>	<u>(57)</u>
<b>(c) Current tax liabilities</b>		
Opening tax liability	-	-
Tax receipts	25	57
Adjustments in respect of current income tax of previous years	<u>(25)</u>	<u>(57)</u>
Current tax (asset)/liability	<u>-</u>	<u>-</u>
<b>(d) Deferred tax asset</b>		
Deferred tax assets		
Realised revenue losses	<u>5,508</u>	<u>5,508</u>
Total deferred tax assets	<u>5,508</u>	<u>5,508</u>
Net deferred tax assets	<u>5,508</u>	<u>5,508</u>

At 30 June 2011 the Company has an unrecognised deferred income tax asset of \$8.8m (2010: \$10.7m), comprising realised tax losses of \$9.2m (2010: \$9.8m) and unrealised tax gains of \$0.4m (2010: \$0.9m losses). The deferred income tax asset recognised by the Company at balance sheet date is \$5.5m (2010: 5.5m) which is based on a conservative view taken on the time frame for the generation of future taxable income to utilise these losses. The amount of recognised deferred income tax has been determined in relation to the application of the accounting standard AASB 112 "Income Taxes" and the ability of the Company to be able to utilise these losses in a reasonable period.

## 4 Dividends

	2011	2010
	\$	\$
Dividends paid or proposed for in the current and comparative periods by Premium Investors Limited are:		
<b>(a) Declared and paid during the year</b>		
<i>Current year interim</i>		
Fully franked dividends (3.5 cents per share paid on 30 March 2011) (2010: 3.5 cents per share paid on 28 January 2010)	3,320,227	3,104,909
Fully franked dividends (Nil cents per share) (2010: 1.5 cents per share paid on 15 April 2010)	-	1,340,480
<i>Previous year final</i>		
Final fully franked dividends (3.5 cents per share paid on 22 September 2010) (2010: Nil cents per share)	<u>3,141,953</u>	<u>-</u>
Total Dividends declared and paid	<u>6,462,180</u>	<u>4,445,389</u>

Dividends settled in shares rather than cash during the year amounted to \$1,681,040 (2010: \$1,004,273) and dividends settled in cash amounted to \$4,781,140 (2010: \$3,441,116).

On 12 August 2011, the Directors of Premium Investors Limited declared a final dividend on ordinary shares in respect of the 30 June 2011 year. The total amount of the dividend is \$3,363,154 which represents a fully franked dividend of 3.5 cents per share. The dividend has not been provided for in the 30 June 2011 financial statements and will be recognised in subsequent financial reports.

### (b) Franking credit balance

The amount of franking credits available for the subsequent financial period are:

- franking credit balance as at the end of the financial year at 30%	6,872,128	8,792,454
- franking credit that will arise from the receipt of dividends recognised as receivable at the reporting date	-	391,880
	<u>6,872,128</u>	<u>9,184,334</u>

The tax rate at which paid dividends have been franked is 30%.

**5 Cash and cash equivalents**

	2011 \$'000	2010 \$'000
Cash at bank	143	121
Cash at call	<u>9</u>	<u>8</u>
	<u>152</u>	<u>129</u>

**6 Financial assets at fair value through profit or loss**

	Fair value 2011 \$'000	Fair value 2010 \$'000
<b>Financial assets</b>		
Unlisted trusts	<u>79,430</u>	<u>75,373</u>
	<u>79,430</u>	<u>75,373</u>

**7 Trade and other receivables**

	2011 \$'000	2010 \$'000
<b>Current</b>		
Interest receivable	1	10
Dividend/distribution receivable	3,124	1,485
GST receivable	<u>-</u>	<u>2</u>
	<u>3,125</u>	<u>1,497</u>

**8 Other current assets**

	2011 \$'000	2010 \$'000
Prepayments	31	12
Other	<u>39</u>	<u>69</u>
	<u>70</u>	<u>81</u>

## 9 Trade and other payables

	2011 \$'000	2010 \$'000
<b>Current</b>		
Outstanding settlements payable *	9	-
Other creditors and accruals *	<u>217</u>	<u>581</u>
	<u>226</u>	<u>581</u>

\* Terms and conditions relating to the above financial instruments

- Other creditors and accruals are non-interest bearing.

- Outstanding settlements payable relate to the purchase of financial assets and will be settled between 1 and 30 days.

## 10 Contributed equity

	2011 \$'000	2010 \$'000
<b>(a) Issued and paid up capital</b>		
Ordinary shares fully paid	<u>108,249</u>	<u>103,771</u>

### (b) Movements in shares on issue

Date	Details	Number of shares	\$
1 July 2009	Opening balance	224,346,583	220,827,375
	Dividend reinvestment plan issues	1,424,892	1,004,273
	Off market share buybacks	(135,470,529)	(117,656,155)
	On market share buybacks	<u>(530,867)</u>	<u>(404,917)</u>
30 June 2010	Balance	89,770,079	103,770,576
1 July 2010	Opening balance	89,770,079	103,770,576
	Share placements	3,884,970	2,797,000
	Dividend reinvestment plan issues	<u>2,435,059</u>	<u>1,681,040</u>
30 June 2011	Balance	<u>96,090,108</u>	<u>108,248,616</u>

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.



## 11 Retained earnings

	2011 \$'000	2010 \$'000
Balance at beginning of the financial year	(21,764)	(35,459)
Net profit attributable to members of Premium Investors Limited	8,036	18,140
Dividends paid or provided for	<u>(6,462)</u>	<u>(4,445)</u>
Balance at the end of the financial year	<u>(20,190)</u>	<u>(21,764)</u>

## 12 Reconciliation of profit after income tax to net cash inflow from operating activities

	2011 \$'000	2010 \$'000
<b>(a) Reconciliation of net profit after tax to net cash flows from operations</b>		
Profit for the year	8,036	18,140
Change in assets and liabilities		
Gains on sale of financial assets	(264)	(18,953)
(Gains)/losses on revaluation of financial assets	(4,405)	2,995
Increase in dividend receivable	(1,639)	(762)
Decrease in interest receivable	9	59
Decrease in withholding tax reclaims	33	31
Increase in prepayments	(19)	(2)
Increase in sundry debtors	(3)	-
Decrease in GST receivable	2	11
(Decrease)/increase in other creditors and accruals	<u>(364)</u>	<u>239</u>
Net cash inflow from operating activities	<u>1,386</u>	<u>1,758</u>
<b>(b) Reconciliation of cash and cash equivalent</b>		
<i>Cash balance comprises</i>		
Cash assets	143	121
Other financial assets – cash management account	<u>9</u>	<u>8</u>
Closing cash balance	<u>152</u>	<u>129</u>
<b>(c) Financing facilities available</b>		
At reporting date, Premium Investors Limited did not have any financing facilities available.		
<b>(d) Non-cash financing activities</b>		
During the year as set out in Note 10(b) 2,435,059 (2010: 1,424,892) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the year amounted to \$1,681,040 (2010: \$1,004,273).		

### 13 Commitments

There are no commitments outstanding.

### 14 Earnings per share

	2011 \$'000	2010 \$'000
<p>The following reflects the income and share data used in calculations of basic and diluted earnings per share:</p>		
Net profit	<u>8,036</u>	<u>18,140</u>
Earnings used in calculating basic and diluted earnings per share	<u>8,036</u>	<u>18,140</u>
	<b>2011 Number of shares</b>	<b>2010 Number of shares</b>
Weighted average number of ordinary shares used in calculating basic earnings per share:	<b>93,772,875</b>	126,261,985
Basic earnings per share	<u><b>8.57</b></u>	<u>14.37</u>

There are no potential ordinary shares and therefore diluted EPS is equivalent to basic EPS.

### 15 Related party transactions

#### (a) Directors

The following persons were directors of Premium Investors Limited during the financial year and up to the date of this report:

Tom Collins (Chairman)

John Elfverson (Non-Executive Director) (Resigned 27 October 2010)

Kenneth Stout (Non-Executive Director)

Reubert Hayes (Non-Executive Director)

Lindsay Mann (Non-Executive Director) (Appointed 5 July 2011)

## 15 Related party transactions (Cont'd)

### (b) Remuneration of Key Management Personnel

Remuneration of Directors

	2011 \$	2010 \$
<b>Short-term employee benefits</b>		
Salary & Fees		
Tom Collins	64,220	64,220
Kenneth Stout	36,697	36,697
John Elfverson	15,290	36,697
Reubert Hayes	<u>36,697</u>	<u>36,697</u>
	<u>152,904</u>	<u>174,311</u>
<b>Post-employment benefits</b>		
Superannuation		
Tom Collins	5,780	5,780
Kenneth Stout	3,303	3,303
John Elfverson	1,376	3,303
Reubert Hayes	<u>3,303</u>	<u>3,303</u>
	<u>13,762</u>	<u>15,689</u>

### (c) Shareholdings of Directors

Ordinary shares held in Premium Investors Limited (number)

Name	Balance 1 July 2010	Net Change Other	Balance 30 June 2011
Tom Collins	76,976	18,942	95,918
John Elfverson	10,000	(10,000)	-
Kenneth Stout	11,967	12,174	24,141
Lindsay Mann	N/A	70,710	70,710

All equity transactions with directors have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

### (d) Other transactions and balances with Directors and Key Management Personnel

During the year Treasury Group Investment Services Limited ('TIS') was classified as a related party due to Mr Hayes being a director of both Premium Investors Limited and TIS' parent entity, Treasury Group Limited.

#### Fund management and performance fees

During 2011, Premium Investors Limited paid fund management and performance fees of \$421,243 (2010: \$1,154,031) to Treasury Group Investment Services Limited, a wholly-owned subsidiary of Treasury Group Limited, a company of which Reubert Hayes is a director. Dealings were on commercial terms and conditions. The terms and conditions are in accordance with the management agreement.

#### Services

During 2011, Premium Investors Limited paid management fees, accounting fees and compliance fees of \$198,022 (2010: \$337,813) to Treasury Group Investment Services Limited, a wholly-owned subsidiary of Treasury Group Limited, a Company of which Reubert Hayes is a director. Dealings were on commercial terms and conditions and in accordance with the management agreement.

## 15 Related party transactions (Cont'd)

### (d) Other transactions and balances with Directors and Key Management Personnel (Cont'd)

#### Payable

As at 30 June 2011 amounts owing to the director related entity in respect of fund management fees and service fees totalled \$48,630 (2010: \$299,057) and amounts owing in respect of performance fees totalled \$85,233 (2010: \$192,921).

#### (e) Investments

The Company held investments in the following schemes. The immediate and ultimate holding company of the Responsible Entity of these schemes is Treasury Group Limited, a company of which Reubert Hayes is a director.

	Number of Units Held Opening	Number of Units Held Closing	Interest Held	Number of Units Acquired	Number of Units Disposed	Distributions Paid/payable by the Schemes
	(Units) '000	(Units) '000	%	(Units) '000	(Units) '000	\$ '000
<b>2011</b>						
GVI Global Industrial Share Fund	12,391	12,875	2.93	484	-	870
Orion Australian Share Fund	11,381	11,789	11.37	408	-	1,008
RARE Infrastructure Value Fund	15,599	14,391	3.10	911	2,119	1,294
TAAM New Asia Fund	10,634	10,693	15.62	59	-	34
Investors Mutual Australian Share Fund	12,528	9,502	1.42	525	3,551	1,082
Aubrey Global Conviction Fund	-	1,998	48.52	1,998	-	-
Ascot Fund	-	3,869	4.72	3,869	-	-
Total	<u>62,533</u>	<u>65,117</u>		<u>8,254</u>	<u>5,670</u>	<u>4,288</u>
<b>2010</b>						
GVI Global Industrial Share Fund	-	12,391	2.21	12,391	-	264
Orion Australian Share Fund	-	11,381	4.22	11,381	-	292
RARE Infrastructure Value Fund	-	15,599	4.33	15,599	-	201
TAAM New Asia Fund	-	10,634	14.55	10,634	-	-
Investors Mutual Australian Share Fund	-	12,528	1.59	12,528	-	629
Total	<u>-</u>	<u>62,533</u>		<u>62,533</u>	<u>-</u>	<u>1,386</u>

## 16 Remuneration of auditors

	2011 \$	2010 \$
Amounts received or due and receivable by the Auditors for:		
Audit and review of financial reports	32,131	23,936
Tax related services	8,000	7,205
	<u>40,131</u>	<u>31,141</u>

## 17 Subsequent event

On 5 July 2011 Lindsay Mann was appointed as a Non-Executive Director of the Company.

On 12 August 2011, the Directors of Premium Investors Limited declared a final dividend on ordinary shares in respect of the 30 June 2011 year. The total amount of the dividend is \$3,363,154 which represents a fully franked dividend of 3.5 cents per share. The dividend has not been provided for in the 30 June 2011 financial statements and will be recognised in subsequent financial reports.

## 17 Subsequent event (Cont'd)

Under the terms of the Company's Constitution, the Board will be tabling an ordinary resolution at the AGM in October 2011 to afford shareholders the opportunity to vote on the continuation of the Company's business in its current form or otherwise (as per the Company's constitution). Shareholders will be provided with more details on the resolution and the Board's recommendation with the notice of meeting which will be sent to shareholders in late September. As the details and outcomes of this resolution are unknown, the going concern assumption continues to be applied to the financial report.

## 18 Critical accounting estimates and judgements

Estimates and judgements are based on past performance and Management's expectation for the future.

### Critical accounting estimates and assumptions

The Company makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events which could have a material impact on the assets and liabilities in the next financial year are discussed below:

#### *Unlisted investments*

For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flows analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum. The fair value of units in a managed investment scheme is determined by reference to published bid prices at the close of business on the balance sheet date being the redemption prices as established by the underlying Scheme's Responsible Entity.

#### *Income taxes*

Income tax benefits are based on assumptions that no adverse change will occur in the income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

## 19 Segment information

The Company's Chief Operating Decision Maker is the Board of Directors. The Company operates in one segment, being investing solely in Australia in managed investment schemes. The performance of the Company is measured based solely on the results of this segment.

## 20 Financial risk management

### Overview

The allocation of assets between the various fund managers is determined by an Investment Committee appointed through the investment management agreement executed between the Company and Treasury Group Investment Services Limited (TIS). The Board has appointed TIS as agent to act as Portfolio Manager. TIS undertakes portfolio management services to achieve the broader investment outcomes as articulated by the Board.

The monitoring of asset allocations and the composition of the assets is monitored by the Investment Committee on at least a monthly basis.

The Investment Committee monitors the performance of each investment manager and makes strategic allocations based on the overriding objective of providing shareholders with attractive investment returns. The Company does not have any borrowings and invests in unlisted trusts. The custody of assets is outsourced to RBC Dexia.

## 20 Financial risk management (Cont'd)

The Company's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Company are discussed below. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Premium Investors Limited has overall responsibility for the establishment and oversight of the Company's financial risk management framework.

The Board of Directors oversees how Management monitors compliance with the Company's financial risk management policies and procedures. The Board of Directors ensures the continued adequacy of the financial risk management framework. Information on the portfolio and allocation among asset managers is reviewed monthly by the Investment Committee. The Investment Committee reviews manager performance, asset allocation, currency exposure, geographic distribution and size of investments/companies.

The Company's assets principally consist of financial instruments which comprise investments selected by the asset manager in accordance with an investment strategy administered by the Investment Committee.

The use of derivatives is considered to be part of the investment and asset management processes and are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- As a substitute for physical securities until the physical position can be established;
- Adjusting asset exposures within the parameters set in the investment strategy; and
- Adjusting the duration of fixed interest assets or the weighted average maturity of cash assets.

Derivatives are not used to gear (leverage) an asset.

The Company has an investment advisory group acting as an advisor, providing economic and market outlook, which will drive the allocation of the Company's investments.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company is exposed, particularly in its equity assets, to market risks. The Company may utilise derivatives. As a listed investment company that invests in securities traded on global markets, via unlisted unit trusts, market risk is a risk to which exposure is unavoidable. The risk is mitigated through diversification of the portfolio that is captured by investments in various geographic zones, industries and asset management is outsourced to various asset managers with different investment styles.

### Currency risk

Companies that invest in international assets are exposed to currency risk. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Asset Managers may enter into derivative contracts (such as forwards, swaps, options and futures) through approved foreign exchange (FX) dealers to minimise risk. However, the use of these contracts must be consistent with the investment strategy and restrictions of each Company, and agreed acceptable level of currency risk.

The Company may enter into transactions denominated in currencies other than Australian dollars. The Company is therefore exposed to risks that the exchange rate of the Australian dollar relative to other foreign currencies may change and have an adverse effect on the Company's assets and liabilities denominated in currencies other than the Australian dollar.

## 20 Financial risk management (Cont'd)

### Currency risk (Cont'd)

Foreign currency exposure is monitored by TIS in its capacity as Portfolio Manager. TIS believes the approach to currency management should depend on the currency in which the investments are made. Equity exposures in the major global currencies are managed at all times.

Changes in the fair value of forward exchange contracts and realised foreign exchange gains or losses are recognised in the Statement of Comprehensive Income.

The Company's exposure to foreign currency risk at the reporting date was as follows:

		30 June 2011			30 June 2010		
		Financial assets/ (liabilities) \$'000	Forward currency contracts \$'000	Net currency exposure \$'000	Financial assets/ (liabilities) \$'000	Forward currency contracts \$'000	Net currency exposure \$'000
Australia	AUD	88,023	-	88,023	81,932	-	81,932
US	USD	-	-	-	3	-	3
Euro	EUR	34	-	34	40	-	40
Other		2	-	2	32	-	32
Net exposure		<u>88,059</u>	<u>-</u>	<u>88,059</u>	<u>82,007</u>	<u>-</u>	<u>82,007</u>

### Sensitivity analysis

As the Company's exposure to financial assets and liabilities in the various foreign currencies is not significant as at 30 June 2011 and 30 June 2010, currency risk sensitivities have not been performed.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is not considered to be significant to the Company and is limited to its cash holdings.

As the Company's exposure to interest rate risk is not significant, interest rate risk sensitivities have not been performed.

### Other market price risk

Other market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Company's investments are carried at fair value with fair value changes recognised in the income statement, all changes in market conditions will directly affect net investment income.

## 20 Financial risk management (Cont'd)

### Other market price risk (Cont'd)

#### Sensitivity analysis

For Australian investments, a simple analysis has been conducted using past economic data to provide some perspective when considering the determination of a reasonably possible change. In the preparation of this analysis the following assumptions and sources of information have been used:

- Data has been sourced from Bloomberg
- Ten years of data (last traded price)
- No averages were taken, weekly log-returns were calculated across 10 years of daily data and determined the volatility of weekly returns
- Standard deviation has been calculated on weekly returns
- Examination of percentage changes in risk variables based on one standard deviation both up and down
- Numbers presented are based on historical data and may not be indicative of future movements of market variables
- Numbers are presented in annual effective terms, they have been scaled to represent an annual shift

In relation to international investments a 10 year historical annualised return for the MSCI Global Index has been used sourced from MSCI Barra.

The carrying value of Australian equities and Global equities via holdings in unlisted unit trusts are \$38,689,210 (2010: \$38,315,317) and \$40,741,033 (2010: \$37,057,680) respectively.

An increase of 13% and 2.07% (2010: 13% and 2.6%) at the reporting date of the underlying investments' prices for Australian and Global equities respectively would have increased profit or loss from operating activities by \$5,872,937 (2010: \$5,944,491). A decrease of 11% and 2.07% (2010: 11% and 2.6%) at the reporting date of the underlying investments' prices for Australian and Global equities respectively would have decreased profit or loss from operating activities by \$5,099,152 (2010: \$5,178,185). There will be no impact on equity other than the related retained earnings change due to operating profit or loss. The analysis has been performed on the same basis for 2010.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains adequate cash holdings to meet monthly working capital requirements. The Company maintains some cash in its investment portfolio which can be called to meet major commitments such as tax and dividends. The Company has no gearing.

The Company's investments are considered to be readily realisable.



## 20 Financial risk management (Cont'd)

### Liquidity risk (Cont'd)

The following table represents the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

30 June 2011	On call	Less than 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Outstanding settlements payable	-	9	-	-	-	9	-
Sundry creditors and accruals	-	217	-	-	-	217	-
<b>Total non-derivatives</b>	-	<b>226</b>	-	-	-	<b>226</b>	-
30 June 2010	On call	Less than 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sundry creditors and accruals	-	581	-	-	-	581	581
Total non-derivatives	-	581	-	-	-	581	581

### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's asset manager has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company has a credit policy of investing its portfolios with financial institutions with very strong credit ratings.

With respect to credit risk arising from the financial assets of the Company, the Company's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed on the Statements of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk is not considered to be a major risk to Premium Investors Limited as any cash held by the Company or in its portfolios is invested with financial institutions that have AA credit ratings. The balance of investments are held in listed securities via unlisted unit trusts.

Trading in equity futures and options is restricted to trading on an exchange.

## 20 Financial risk management (Cont'd)

### Capital management

The Company does not have debt and it is not the intention of the Board to borrow. The Company manages its capital to maximise the return to stakeholders and the Company's overall strategy remains unchanged from 2010. The capital structure of the Company consists of cash and cash equivalents and equity attributable to shareholders, comprising issued capital and retained earnings as disclosed in notes 10 and 11 respectively.

#### (a) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2011 and 30 June 2010:

As at 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Unlisted Unit Trusts	-	79,430	-	79,430
<b>Total assets</b>	<u>-</u>	<u>79,430</u>	<u>-</u>	<u>79,430</u>
As at 30 June 2010				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Unlisted Unit Trusts	-	75,373	-	75,373
<b>Total assets</b>	<u>-</u>	<u>75,373</u>	<u>-</u>	<u>75,373</u>

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Directors' Declaration**

In accordance with a resolution of the Directors of Premium Investors Limited, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes set out on pages 11 to 34 and the sections of the Directors' Report marked as audited are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*.
- (b) Note 1(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2011.

This declaration is made in accordance with a resolution of the Directors.



Tom Collins  
Chairman

Sydney  
23 August 2011

## **Independent auditor's report to the members of Premium Investors Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Premium Investors Limited ("the company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### ***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached to the directors' report.

## Opinion

In our opinion:


1. the financial report of Premium Investors Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of Premium Investors Limited at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 and 5 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion, the Remuneration Report of Premium Investors Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Rita Da Silva  
Partner  
Sydney  
23 August 2011

**ASX additional information**

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.

**A. Distribution of equity securities (as at 31 July 2011)**

Analysis of numbers of equity security holders by size of holding:

Holding	Ordinary shares		Options	Convertible notes
	Number of holders	Number of shares	Options	
1 - 1000	233	99,870	-	-
1,001 - 5,000	661	2,156,238	-	-
5,001 - 10,000	695	5,566,459	-	-
10,001 - 100,000	2,116	60,732,753	-	-
100,001 and over	89	27,534,788	-	-
	<u>3,794</u>	<u>96,090,108</u>	<u>-</u>	<u>-</u>

There are 149 number of share holders, holding less than 658 marketable parcels of ordinary shares.

**B. Twenty largest shareholders (as at 5 August 2011)**

The names of the twenty largest holders of quoted securities are listed below:

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1. Citicorp Nominees Pty Limited	3,284,625	3.42
2. Treasury Group Ltd	3,213,161	3.34
3. RBC Dexia Investor Services Australia Nominees Pty Limited	2,433,493	2.53
4. Groote Eylandt Aboriginal Trust Inc	1,550,961	1.61
5. Sarovian Pty Ltd	1,500,000	1.56
6. Advocate Partners Pty Ltd	1,100,000	1.14
7. UBS Wealth management Australia Nominees Pty Ltd	727,574	0.76
8. Leopard Asset Management Pty Ltd	700,000	0.73
9. Mr Peter John Jackson	496,164	0.52
10. Angueline Investments Pty Limited	350,000	0.36
11. Mr Douglas Thomas Newham	338,145	0.35
12. Wood Family Foundation Pty Ltd	326,444	0.34
13. Trophy Components Pty Ltd	300,000	0.31
14. HSBC Custody Nominees (Australia) Limited	299,970	0.31
15. Clayton Church Homes Inc	270,000	0.28
16. Mr Ian Kidd Smith and Ms Marie Edwina Smith	235,488	0.25
17. Lumime Pty Ltd	234,417	0.24
18. Stronpark Pty Limited	225,417	0.23
19. Mylin Investments Pty Limited	221,000	0.23
20. Mr Rodney Warwick Hunter	210,000	0.22
	<u>18,016,859</u>	<u>18.73</u>

**C Substantial holders**

There were no substantial shareholders who notified the Company in accordance with section 671B of the *Corporations Act 2001* during the year.

**D Voting rights**

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

**E Holdings of securities**

Investments held by the Company as at 30 June 2011 are as follows:

	<b>Market value \$</b>	<b>Percentage %</b>
Australian Unlisted Unit Trusts		
GVI Global Industrial Share Fund	<b>12,567,358</b>	15.82 %
Orion Australian Share Fund	<b>14,290,221</b>	17.99 %
RARE Infrastructure Value Fund	<b>14,428,521</b>	18.16 %
TAAM New Asia Fund	<b>11,620,184</b>	14.63 %
Investors Mutual Australian Share Fund	<b>20,358,670</b>	25.63 %
Aubrey Global Conviction Fund	<b>2,124,970</b>	2.68 %
Ascot Fund	<b>4,040,319</b>	5.09 %

**F Portfolio transactions**

The total number of transactions in securities during the reporting period was 10. The total brokerage paid or accrued during the period amounted to \$Nil.

**G Application of cash**

For the financial period from 1 July 2010 to 30 June 2011, Premium Investors Limited used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with the Company's objective, which is being an investment company specialising in the management of primarily Australian securities.