

14 February 2012

Australian Stock Exchange
Continuous Disclosure Area

Via: E Lodgement

CHAIRMAN'S REPORT – Financial Results for the half year ended 31 December 2011

Dear Fellow Investors

The financial results for the six months ended 31 December 2011 reflect a period of volatile and declining equity markets. The Company incurred a loss after income tax expense of \$6.576m due to the impact of unrealised losses on the value of the investment portfolio.

Summary of Financial Results:

	2011	2010
	\$'000	\$'000
Revenue	1,466	1,123
Realised (losses)/gains	(207)	38
Unrealised (losses)/gains	(6,982)	6,494
Expenses	(853)	(722)
Net (Loss)/Gain	(6576)	6933

During the six months ended 31 December 2011, the Company incurred additional legal and corporate advisory expenses in the lead up to the Annual General Meeting. The constitution of the Company was refreshed and the Company undertook a strategic overview.

The first half of the financial year 2012 has seen high volatility in the markets resulting in five negative return months out of six in Australia and four in International market shares (hedged in AUD). In late July and early August concerns about the credit crunch in the Euro zone and the debt ceiling and the S&P credit downgrade in the US, manifested in significant equity market corrections which left major market indices in Australia and globally back down at 2009 levels. In October, the markets corrected and were up by 7% before falling again in November and December by more than 5%.



In this difficult context, the portfolio outperformed its market proxy by +0.77% during the term, returning -7.38% against -8.15%. The allocation decision to orientate the portfolio to a more defensive profile has been positive for this first half of the financial year 2012. Over the same period, Premium shares (dividend reinvested) delivered a return of -4.80% against -9.83% for ASX 300 representing a +5.03% outperformance.

Looking forward, the equity market, even after a strong gain in January and a positive forecast for 2012, is still vulnerable to corrections so we remain prudent and continue to keep a high cash position of 10% to 15% in the portfolio.

Quarterly reports on the company's investment performance can be found on the company's website www.premiuminvestors.com.au. I encourage you to read these.

As a result of the loss, the company is not in a position to declare a dividend in respect of the 6 months period. However, the Directors are conscious of the expectations of many of our shareholders that the company will provide a regular cash flow in the form of dividends. The Directors have therefore decided to provide a level of liquidity via an off market Equal Access Buyback program of 2.5% of shares on issue. Details of the timing and terms are yet to be determined and will be provided to the market as soon as available.

The Directors are hopeful that market conditions will allow the resumption of dividend payments in 2012.



Lindsay Mann
Chairman

Appendix 4D

1. Half yearly report

Name of entity

Premium Investors Limited

ABN: 47 106 259 885

Report for the period 31 December 2011

Previous corresponding period 31 December 2010

2. Results for announcement to the market

				<u>A\$'000s</u>
Revenue / (loss) from ordinary activities (<i>item 2.1</i>)*	up/ (down)	30.5%	to	1,466
Profit / (loss) after tax attributable to members (<i>item 2.2</i>)	up /(down)	195%	to	(6,576)
Net profit / (loss) for the period attributable to members (<i>item 2.3</i>)	up /(down)	195%	to	(6,576)
* Includes realised and unrealised gains/(losses) at fair value through profit or loss.				
Dividends (<i>item 2.4</i>)				
There is no interim dividend declared for current period ended 31 December 2011 as at this report date.				
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	N/A			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):				
<p>The net losses of the company for the six months ended 31 December 2011 was driven by declining financial markets. The company posted \$207k of realised losses (2010: \$38k gains) and unrealised losses of \$6.98 million (2010: \$6.50 million gains) for the 6 months.</p> <p>On 14 February 2012, the Company announced it will be undertaking an off market equal access buy-back program of 2.5% of shares on issue, though the timing and terms of the buyback are yet to be determined.</p> <p>For details, please refer to the attached Financial Report for the 6-month period ended 31 December 2011. Also, please see attached Chairman Address for commentary.</p>				

3. Net tangible assets per security (item 3)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	80.4¢	80.5¢

4. Dividends (item 5)

	Date of payment	Total amount of dividend
Final dividend – year ended 30 June 2011	9 September 2011	\$3,363,160

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Interim dividend: Current period	-¢	-	-¢
Previous period	3.5¢	100%	-¢

- The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached), which has been prepared in accordance with Australian equivalent to International Financial Reporting Standards (AIFRS).
- The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.



Sign here: Date: 14 February 2012
(Company Secretary)

Print name: Reema Ramswarup



**Condensed Financial Report
for the half-year ended
31 December 2011**

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Directors' Report

The Directors of Premium Investors Limited ("the Company") submit herewith the Condensed financial report for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors report is as follows:

Directors

The following persons were directors of Premium Investors Limited during the half-year and up to the date of this report unless otherwise stated:

Lindsay Mann (Chairman) (Appointed 5 July 2011)
Kenneth Stout (Retired 26 October 2011)
Reubert Hayes
Tom Collins

Review of operations

Premium Investors Limited is an investment company that operates on the principle of pooled investment and specialises in the management of marketable securities.

The Company generated an operating loss from ordinary activities after income tax of \$6,575,854 for the six month period ended 31 December 2011. This compares with an operating profit of \$6,957,590 reported for the corresponding period ended 31 December 2010. Basic and diluted earnings per share are (6.58) cents per share (2010: 7.56 cents per share).

As at 31 December 2011, the company has a capped deferred tax asset of \$5.5m which relates to realised tax losses in prior periods. This has been determined with reference to 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.

There has been no significant change in the nature of the activities during the half-year ended 31 December 2011.

Significant events after balance date

On 14 February 2012, the Company announced it will be undertaking an off market equal access buy-back program of 2.5% of shares on issue, though the timing and terms of the buyback are yet to be determined.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report.

This report is made in accordance with a resolution of directors.

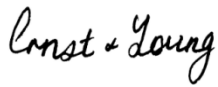


Lindsay Mann
Chairman

Sydney
14 February 2012

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

In relation to our review of the financial report of Premium Investors Limited for the half-year ended 31 December 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
Sydney
14 February 2012

Premium Investors Limited
ABN 47 106 259 885
Statement of Comprehensive Income
For the half-year ended 31 December 2011

		Half-year 31 December	31 December
	Notes	2011 \$'000	2010 \$'000
Revenue	3	1,466	1,123
Realised gains/(losses) on financial assets at fair value through profit and loss		(207)	38
Unrealised gains/(losses) on financial assets at fair value through profit and loss		(6,982)	6,494
Expenses	4	<u>(853)</u>	<u>(722)</u>
Profit/(loss) before income tax expense		<u>(6,576)</u>	<u>6,933</u>
Income tax benefit		<u>-</u>	<u>25</u>
Profit/(loss) after income tax expense		<u>(6,576)</u>	<u>6,958</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>(6,576)</u>	<u>6,958</u>
Basic earnings per share (cents per share)	11	(6.58)	7.56
Diluted earnings per share (cents per share)	11	(6.58)	7.56

The accompanying notes form part of these financial statements.

Premium Investors Limited
ABN 47 106 259 885
Statement of Financial Position
As at 31 December 2011

		31 December 2011 \$'000	30 June 2011 \$'000
	Notes		
ASSETS			
Cash and cash equivalents	5	11,287	152
Trade and other receivables		800	3,125
Other current assets		87	70
Financial assets at fair value through profit and loss	6	64,675	79,430
Deferred tax asset		<u>5,508</u>	<u>5,508</u>
Total assets		<u>82,357</u>	<u>88,285</u>
LIABILITIES			
Trade and other payables		<u>206</u>	<u>226</u>
Total liabilities		<u>206</u>	<u>226</u>
Net assets		<u>82,151</u>	<u>88,059</u>
EQUITY			
Contributed equity	7	112,280	108,249
Retained earnings		<u>(30,129)</u>	<u>(20,190)</u>
Total equity		<u>82,151</u>	<u>88,059</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 half-year ended 31 December 2011

	Notes	Contributed Equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2010		<u>103,771</u>	<u>(21,764)</u>	<u>82,007</u>
Profit for period		<u>-</u>	<u>6,958</u>	<u>6,958</u>
Total comprehensive income for the period		<u>-</u>	<u>6,958</u>	<u>6,958</u>
Issue of shares	7	3,602	-	3,602
Dividends provided for or paid	8	<u>-</u>	<u>(3,142)</u>	<u>(3,142)</u>
		<u>3,602</u>	<u>(3,142)</u>	<u>460</u>
Balance at 31 December 2010		<u>107,373</u>	<u>(17,948)</u>	<u>89,425</u>
Balance at 1 July 2011		<u>108,249</u>	<u>(20,190)</u>	<u>88,059</u>
Loss for period		<u>-</u>	<u>(6,576)</u>	<u>(6,576)</u>
Total comprehensive income for the period		<u>-</u>	<u>(6,576)</u>	<u>(6,576)</u>
Issue of shares	7	4,031	-	4,031
Dividends provided for or paid	8	<u>-</u>	<u>(3,363)</u>	<u>(3,363)</u>
		<u>4,031</u>	<u>(3,363)</u>	<u>668</u>
Balance at 31 December 2011		<u>112,280</u>	<u>(30,129)</u>	<u>82,151</u>

Half-year

	Notes	31 December 2011	31 December 2010
Interim franked dividends per share (cents per share)	8	-	3.50

The accompanying notes form part of these financial statements.

Premium Investors Limited
ABN 47 106 259 885
Statement of Cash Flows
For the half-year ended 31 December 2011

	Half-year	
	31 December	31 December
	2011	2010
Notes	\$'000	\$'000
Cash flows from operating activities		
Payments to suppliers	(884)	(1,188)
Dividends and distributions received	3,514	1,770
Interest received	109	27
Other income received	171	167
Net cash inflow from operating activities	2,910	776
Cash flows from investing activities		
Proceeds from sale of financial assets	19,301	4,859
Purchase of financial assets	(11,744)	(3,821)
Net cash inflow from investing activities	7,557	1,038
Cash flows from financing activities		
Proceeds from issues of ordinary shares	3,206	2,796
Dividends paid	(2,538)	(2,336)
Net cash inflow from financing activities	668	460
Net increase in cash and cash equivalents	11,135	2,274
Cash and cash equivalents at the beginning of the half-year	152	129
Cash and cash equivalents at end of the period	11,287	2,403

5

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 Summary of significant accounting policies

(a) Basis of preparation of half-year financial report

The half-year condensed financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting* and other mandatory reporting requirements. The financial statements have been prepared in accordance with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board and International Financial Reporting Standards applicable to interim reporting as issued by the International Accounting Standards Board.

The half-year condensed financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that the half-year condensed financial report be read in conjunction with the Annual Financial Report of Premium Investors Ltd as at 30 June 2011. It is also recommended that the half-year condensed financial report be considered together with any public announcements made by the Company during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and ASX Listing Rules.

The half-year condensed financial report has been prepared on a historical cost basis except for investments which have been measured at fair value.

The board authorised the report for issue on 14 February 2012.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

Premium Investors Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

For the purpose of preparing the half-year condensed financial report, the half-year has been treated as a discrete reporting period.

(b) Changes in accounting policies

The accounting policies applied are consistent with the most recent financial report for the year ended 30 June 2011.

2 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.

3 Revenue

	Half-year	
	31 December	31 December
	2011	2010
	\$'000	\$'000
Revenues		
Distributions/dividends	1,121	936
Interest	176	28
Fund management fee rebates	168	157
Other income	1	2
	1,466	1,123

4 Expenses

	Half-year	
	31 December	31 December
	2011	2010
	\$'000	\$'000
Administration costs	600	428
ASX and share registry costs	94	112
Fund management fees	159	182
	853	722

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 above 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 3. These three components aggregate to the 0.9% as charged under the Investment Management agreement between the Company and TIS.

5 Cash and cash equivalents

	31 December	30 June
	2011	2011
	\$'000	\$'000
Cash at bank	403	143
Cash at call	3,084	9
Short-term deposits	7,800	-
	11,287	152

6 Financial assets at fair value through profit and loss

	31 December 2011 \$'000	30 June 2011 \$'000
Unlisted trusts	<u>64,675</u>	<u>79,430</u>
	<u>64,675</u>	<u>79,430</u>

7 Contributed equity

	31 December 2011 Shares '000	30 June 2011 Shares '000	31 December 2011 \$'000	30 June 2011 \$'000
(a) Share capital				
Ordinary shares fully paid	<u>102,093</u>	<u>96,090</u>	<u>112,280</u>	<u>108,249</u>

(b) Movements in share on issue:

	Date	Details	Number of shares	\$
	1 July 2010	Opening balance	89,770,079	103,770,576
		Share placements	3,884,970	2,797,000
		Dividend reinvestment plan	2,435,059	1,681,040
	30 June 2011	Balance	<u>96,090,108</u>	<u>108,248,616</u>
	1 July 2011	Opening balance	96,090,108	108,248,616
		Share placements	4,785,500	3,206,000
		Dividend reinvestment plan	1,217,522	824,991
	31 December 2011	Balance	<u>102,093,130</u>	<u>112,279,607</u>

8 Dividends

	Half-year	
31 December	2011	31 December
\$'000	\$'000	2010
\$'000	\$'000	\$'000

Dividends paid or provided for in the current and comparative periods by Premium Investors Limited are:

a) Dividends paid during the half year

Final fully franked dividends (3.5 cents per share; 2010: 3.5 cents) per share	3,363	3,142
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b) Dividends declared by Directors (2010: 10 February 2011) (not recognised as a liability at 31 December)

Interim fully franked dividends (Nil cents per share, 2010: 3.5 cents) per share	-	3,320
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Dividends settled in shares rather than cash during the period amounted to \$824,991 (2010: \$805,753) and dividends settled in cash amounted to \$2,538,169 (2010: \$2,336,206).

9 Commitments and Contingencies

At reporting date the Company does not have any significant commitments or contingencies.

10 Events occurring after balance date

On 14 February 2012, the Company announced it will be undertaking an off market equal access buy-back program of 2.5% of shares on issue, though the timing and terms of the buyback are yet to be determined.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of Premium Investors Limited disclosed in the statement of financial position as at 31 December 2011 or on the results and cash flows for the half-year ended on that date.

11 Earnings per share

	Half-year	
31 December	2011	31 December
\$	\$	2010
\$	\$	\$

Basic earnings per share	(6.58)	7.56
Profit/(loss) from continuing operations (\$)	(6,575,854)	6,957,390
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	99,913,404	92,080,174

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Directors' Declaration

In the directors' opinion:

- (a) The financial statements and notes set out on pages 3 to 10 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that Premium Investor Limited will be able to pay its debts as and when they become due and payable.

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



Lindsay Mann
Chairman

Sydney
14 February 2012

To the members of Premium Investors Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Premium Investors Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Premium Investors Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

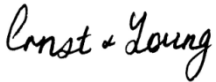
Independence

In conducting our review, we have complied with 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.

Conclusion

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

- a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of the Ernst & Young logo.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Rita Da Silva'.

Rita Da Silva
Partner
Sydney
14 February 2012