

23 September 2011

Australian Stock Exchange
Continuous Disclosure Area

Via: E Lodgement

Premium Investors Limited: AGM Documentation

Premium Investors Limited ("**Premium**") is pleased to announce that its **Annual General Meeting ("AGM") will be held at the offices of Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney NSW 2000 on Wednesday, 26 October 2011 at 10.30 am.**

Premium confirms that it has dispatched to shareholders a copy of the following attached documentation regarding the AGM:

- Chairman's letter;
- Notice of Meeting and Explanatory Memorandum ("**Notice**");
- Proxy form;
- Overview flyer; and
- Annual Report.

The Board advises shareholders that there are a number of important resolutions to be considered at the AGM and recommends that shareholders read the Notice carefully.

Yours faithfully



Reema Ramswarup
Company Secretary



23 September 2011

Dear Shareholder

I have pleasure in inviting you to attend our 2011 Annual General Meeting and have enclosed the Notice of Meeting which sets out the items of business. The meeting will be held at the offices of Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney on Wednesday 26 October 2011 at 10.30am.

If you are attending the meeting, please bring this letter with you to facilitate your registration for the meeting.

If you are unable to attend the meeting you are encouraged to complete the enclosed proxy form. The proxy allows you to vote on the business to be put before the meeting. You can nominate someone who will be attending the meeting to be your proxy. All Directors will be in attendance at the meeting.

The proxy form should be returned in the envelope provided or faxed to our share registry on (03) 9473 2555 so that it is received by 10.30am on 24 October 2011, being no later than 48 hours before the date of the meeting.

Corporate shareholders are required to complete a "Certificate of Appointment of Representative" to enable a person to attend on their behalf. This certificate is available from the Company's share registry.

I look forward to your attendance at the meeting.

Yours faithfully



Tom Collins
Chairman

NOTICE OF ANNUAL GENERAL MEETING and EXPLANATORY MEMORANDUM

Annual General Meeting to be held at:
the offices of Computershare Investor Services Pty Ltd
Level 4, 60 Carrington Street, Sydney NSW 2000
Wednesday, 26 October 2011 at 10.30 am (Sydney time).

Premium Investors Shareholder Information

t: 1800 087 348
e: info@premiuminvestors.com.au
w: www.premiuminvestors.com.au

This Notice of General Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or professional adviser without delay. Issued Friday, 23 September 2011.

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Premium Investors Limited

ABN 47 106 259 885

Notice of Annual General Meeting

Notice is given that the annual general meeting of Shareholders of Premium Investors Limited (**Premium or Company**) will be held at the offices of Computershare Investor Services Pty Ltd at Level 4, 60 Carrington Street, Sydney NSW 2000 on Wednesday, 26 October 2011 at 10.30 am (Sydney time).

Business of the Meeting

Receipt of financial report

To receive and consider the financial report of the Company, and the reports of the Directors and auditors for the year ended **30 June 2011**.

Premium's 2011 Annual Report is now available at:
www.premiuminvestors.com.au

Resolution 1: Retirement and re-election of Lindsay Mann

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for the purposes of section 201H(3) of the Corporations Act and Listing Rule 14.4, Lindsay Mann, having retired in accordance with Rule 7.1 of the Constitution, be elected as a Director of the Company with immediate effect".

Further information in relation to this resolution may be found in the accompanying Explanatory Memorandum.

Resolution 2: Election of Roland David Burt

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Roland David Burt, having been nominated by Advocate Partners Pty Ltd (ACN: 143 352 130) a Shareholder of the Company under Rule 7.1(k)(3) of the Constitution, be elected as a Director of the Company with immediate effect".

Further information in relation to this resolution may be found in the accompanying Explanatory Memorandum.

Resolution 3: Retirement and re-election of Kenneth Stout

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, having retired in accordance with Rule 7.1 of the Constitution, Kenneth Stout be elected as a Director of the Company with immediate effect”.

Further information in relation to this resolution may be found in the accompanying Explanatory Memorandum

Resolution 4: Remuneration report

To consider and, if thought fit, pass the following non-binding resolution:

“That the remuneration report forming part of the Directors report be adopted”.

The remuneration report is set out in and forms a part of the Directors report. Please note that the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion

Premium will disregard any votes cast on this Resolution 4 by:

- (a) key management personnel whose details are included in the Remuneration Report; or
- (b) a Closely Related Party of a person identified in (a).

Premium does not need to disregard a vote if the vote is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the chair of the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form.

Resolution 5: Continuation of the Company's business

To consider and, if thought fit, pass the following as an ordinary resolution:

"For the purposes of Rule 14.1 of the Constitution and for all other purposes, that approval is given for the continuation of the Company's business in its present form as described in the Explanatory Memorandum".

Further information in relation to this resolution may be found in the accompanying Explanatory Memorandum.

Resolution 6: Adoption of new Constitution

To consider and, if thought fit, pass the following as a special resolution:

"That for the purposes of section 136(2) of the Corporations Act and for all other purposes, the Company's Constitution be repealed and a new Constitution in the form of the document tabled at the meeting, and signed by the Chairperson for the purposes of identification, be adopted with immediate effect".

Further information in relation to this resolution may be found in the accompanying Explanatory Memorandum.

Resolution 7: Amendments to the Constitution

To consider and, if thought fit, pass the following as a special resolution:

"That for the purposes of section 136(2) of the Corporations Act and for all other purposes, the deletion of the 'Continuation of Business' provision of the Constitution in the form of the document tabled at the meeting, and signed by the Chairperson for the purposes of identification, be adopted with immediate effect".

Further information in relation to this resolution may be found in the accompanying Explanatory Memorandum.

Other Information

An Explanatory Memorandum accompanies and forms part of this notice of meeting. Certain terms used in this Notice are defined in the Explanatory Memorandum.

All Shareholders should read the Explanatory Memorandum carefully and in its entirety. Shareholders who are in doubt regarding any part of the business of the meeting should consult their financial or legal adviser.

Voting by Proxy

Any Shareholder of Premium entitled to attend and vote at the meeting may appoint a proxy to attend and vote in their place.

The proxy does not need to be a Shareholder of Premium. A Shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified then each proxy may exercise half the votes.

Proxies must be received by Premium's Share registry, Computershare Investor Services Pty Limited, not later than 48 hours before the meeting i.e. 10.30 am (Sydney time) on Monday, 24 October 2011.

The completed form of proxy may be sent to Computershare Investor Services Pty Limited as follows:

By mail: GPO Box 242
 Melbourne VIC 3001

By fax: 1800 783 447 (within Australia)

 or

 +613 9473 2555 (outside Australia)

Custodian Voting - For Intermediary Online subscribers please visit:
www.intermediaryonline.com

Online Voting – Online Voting will be available at www.investorvote.com.au. You will require your SRN/HIN and the control number (printed on your proxy form).

A form of proxy is provided with this Notice.

Entitlement to Vote

In accordance with section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, Premium has determined that for the purposes of the meeting all Shares will be taken to be held by the persons who held them as registered Shareholders at close of business on Monday, 24 October 2011. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

By order of the Board

Reema Ramswarup

Company Secretary

Dated this 23 September 2011

Premium Investors Limited

ABN 47 106 259 885

Explanatory Memorandum

This Explanatory Memorandum sets out further information regarding the proposed resolutions to be considered by Shareholders at the Annual General Meeting of Premium to be held at the offices of Computershare Investor Services Pty Limited at Level 4, 60 Carrington Street, Sydney NSW 2000 on Wednesday, 26 October 2011 at 10.30 am.

Background to resolutions 1 - 3

As part of the Company's cost saving initiatives, the number of Directors was reduced earlier this year from four to three. Further, during July of this year Mr Lindsay Mann was appointed as part of Premium's succession planning with the expectation that the Board would reduce back to three members at this year's AGM.

Resolutions 1 – 3 below set out three Board nominations.

The majority of the Board advises that only one nominated Director should be elected and further recommends the election of Mr Lindsay Mann.

Please read carefully the explanatory notes to resolutions 1 – 3 below.

Resolution 1: Retirement and re-election of Lindsay Mann

Lindsay Mann retires by rotation and offers himself for re-election as a Director of Premium.

Lindsay Mann was appointed to the Board by the other directors on 5 July 2011.

Rule 7.1(e) of the Constitution permits directors to appoint any person to be a director, either to fill a casual vacancy or as an addition to existing directors. Any director so appointed only holds office until the next annual general meeting and must retire from office. This rule mirrors Listing Rule 14.4.

Section 201H(3) of the Corporations Act provides that if a director is appointed by other directors as a director of a public company, the company must confirm the appointment by resolution at the company's next annual general meeting. If the appointment is not confirmed, the person ceases to be a director of the company at the end of the annual general meeting.

Under rule 7.1(i) of the Constitution, a retiring Director is eligible for re-election.

As such, Lindsay Mann is eligible for re-election and offers himself for re-election under Resolution 1.

Mr Mann has more than 37 years financial services experience including extensive experience in funds management and corporate governance related to funds. 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 Hong Kong Limited with responsibility for the Asian region. He had a long career with the National Mutual Group including many insurance roles and was Managing Director of National Mutual Funds Management NZ.

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.

Recommendation

Since Mr Mann joined the Board he has demonstrated the benefits of his credentials and experience as a former senior executive in the global and domestic funds management industry.

His skills are ideally suited to enhance and complement the Board's aim of providing a unique and well diversified long term investment process for Premium's shareholders.

The Directors, other than Mr Mann, unanimously recommend all shareholders VOTE FOR Resolution 1.

Resolution 2: Election of Roland David Burt

Roland David Burt is nominated as a Director of Premium by a Shareholder of Premium, Advocate Partners Pty Ltd (ACN 143 352 130) under Rule 7.1 (k)(3) of the Constitution.

Rule 7.1(k) (3) of the Constitution provides that a person is eligible for election as a director at a general meeting of the company only if a nomination for election of the person as a director, signed by a member (including the person) and a consent to nomination signed by the person, has been lodged at the registered office of the company at least 30 business days before the general meeting.

The Company received on 29 August 2011 a signed nomination and consent in accordance with Rule 7.1 (k) (3) of the Constitution. As such, Mr Burt is eligible for election having consented to act as a Director of the Company.

Mr Burt is a solicitor admitted to practice as a solicitor in the Supreme Court of New South Wales and as a Barrister and solicitor in the Supreme Court of Victoria. Mr Burt has degrees in Arts and Law obtained from the University of Melbourne.

Recommendation

Having carefully considered the nomination the Board believes that whilst Mr Burt is a capable lawyer, the Board does not believe that he would appear to add to the Board's current knowledge and experience in the funds management industry.

The Board believes that the current makeup of the Board is sound and effective.

The Board believes the additional cost of an extra Director is unwarranted

The Board unanimously DOES NOT SUPPORT the election of Mr Burt and recommends that all Shareholders VOTE AGAINST Resolution 2.

Resolution 3: Retirement and re-election of Kenneth Stout

Kenneth Stout retires by rotation and offers himself for re-election as a Director of Premium.

Rule 7.1 of the Constitution requires that at each annual general meeting of Premium, one-third of the Directors, and any other director not in such one third who has held office for 3 years or more since their last election, must retire from office.

Under Rule 7.1(i) of the Constitution, a retiring Director is eligible for re-election.

Mr Stout has over 28 years commercial experience, 13 years as a partner of Ernst and Young where he specialised in Corporate Services & 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 both listed and unlisted.

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, an Associate and Graded Arbitrator of the Institute of Arbitrators and Mediators Australia and is a Registered Companies Auditor.

He is also the Chairman of the Company's Audit and Risk Committee.

However, Premium's Board Charter states:

Rule 3.6.5 Subject to any limitations imposed by Shareholders, it is anticipated that non-executive members will hold office initially for three years following their first appointment (or, if appointed by the Board between annual meetings, from the date of the meeting next following the appointment), subject to any obligation to retire by rotation in accordance with the Company's constitution. It is not generally expected that a non-executive member would hold office for more than ten years or be nominated for more than three executive terms whichever is the longer. Only executive Members will be engaged on service contracts.

This will be the fourth time Mr Stout has nominated for the board. Should Mr Stout be re-elected his election would contradict the purpose and intention of the Board Charter.

Recommendation

Mr Stout has been a valuable member of the Board and has contributed greatly to the Company, particularly in his role as Chairman of the Audit and Risk Committee.

However, the Board's stated objective is to reduce the Board size to three members.

As he has been the longest serving director (first appointed in 2003) and in accordance with rule 3.6.5 of the Board Charter, the majority of the Board has decided not to support Mr Stout's re-election.

The majority of the Board DOES NOT SUPPORT the re-election of Mr Stout and recommends that all Shareholders VOTE AGAINST Resolution 3.

Resolution 4: Remuneration report

Section 250R(2) of the Corporations Act requires that a resolution to adopt the remuneration report must be put to a vote at the meeting.

Premium's remuneration report forms a part of the Directors report. It describes the remuneration policies and arrangements for Directors.

Shareholders will be given the opportunity to discuss the remuneration report at the meeting. Any vote on the adoption of the remuneration report is advisory only and does not bind the Directors or Premium.

Important notice relating to Resolution 4

The Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 (Cth) (**Executive Remuneration Act**) recently came into effect.

The Executive Remuneration Act amends the Corporations Act and inserts provisions into the Corporations Act relating to Directors' appointments, remuneration matters and proxy voting. Below is a summary of the key changes that are relevant to this Notice.

Under the Executive Remuneration Act, if 25% or more of the votes cast are voted against the adoption of the Remuneration Report then the subsequent remuneration report must set out an explanation outlining the issues raised by Shareholders.

The subsequent Remuneration Report receives a 'no' vote of 25% or more at the AGM in which it is considered then at that AGM Shareholders will be required to vote on a resolution (referred to as a Spill Resolution) requiring the Directors to hold another meeting within 90 days at which all of the Company's Directors (other than the managing director or CEO) who were in office at the date of the approval of the relevant Directors' report must stand for re-election (Spill Meeting). The Spill Resolution must be passed by an ordinary majority (that is more than 50% of the Shareholders present at the meeting).

Changes implemented under the Executive Remuneration Act also ensure that a company has at least three directors after the Spill Meeting. The three Directors will be:

- (a) the managing director; and
- (b) those with the highest percentage of votes in favour of their appointment cast at the Spill Meeting. In the event that two or more persons have the same percentage of votes then the directors have the power to select which person to appoint as director (this appointment must then be confirmed at the next AGM).

Proxy votes

The Corporations Act now places restrictions on the ability of key management personnel and their closely related parties to vote on the advisory resolution to adopt the Company's Remuneration Report.

As such, for the purposes of this Resolution 4 Shareholders who intend to vote by proxy should carefully consider the identity of their proxy.

Shareholders who intend to appoint the Chairperson as their proxy (including appointment by default and even if the resolution is connected with the Chairperson's remuneration) **should direct the Chairperson as to how to vote by ticking the 'for' or 'against' box. If you do not direct the Chairperson how to vote, the Chairperson will deem your undirected vote as a 'for' vote in favour of Resolution 4.**

If appointing a proxy, please read carefully the directions on the accompanying proxy form.

Resolution 5: Continuation of the Company's business

Summary

Rule 14 of the Constitution provides that if for 12 consecutive calendar months the monthly weighted average price for the Company's ordinary Shares sold on the ASX is less than 90% of the NTA (after tax), then Shareholders must be given the opportunity to vote on the "continuation of the Company's business in its present form or otherwise".

The Board is of the view that the present form of the Company's business includes:

- (a) maintaining an ASX listing to afford Shareholders liquidity;
- (b) drawing on the unique expertise of a multi-manager investment approach with a strategic asset allocation of 50% Australian and 50% international shares;
- (c) having an objective to "achieve a high long-term real rate of return for investors, comprised of both income and capital growth, while aiming to reduce the risk and quantum of capital loss over the shorter term";
- (d) having a dividend policy that "seeks to pay out all investment earnings to Shareholders as dividends over the extended market cycle, with the Board seeking to set the dividend at a range it believes to be sustainable";
- (e) accessing the benefits of risk and manager diversification, cost benefits and security of Treasury Group Limited's \$16.8 billion asset management base to provide management and administrative services;
- (f) providing the Company's circa 3,900 Shareholders, representing primarily smaller retail retirement and superannuation investors, with market access to diversified low-risk global strategies at substantially lower cost than direct investment; and
- (g) adopting medium/long term investment strategies suitable for committed loyal long term investors and discouraging short term predatory investment trading opportunities by minority group Shareholders.

By voting in favour of Resolution 5, Shareholders agree to continue the Company's business in this manner. As such, this will mean that:

1. there will be no change to the Company's structure;
2. Premium will continue to be managed in accordance with its existing investment strategy; and
3. short-term focused Shareholders wishing to exit their investment can do so on the ASX or through an off market transaction (where permitted).

Additional information regarding Resolution 5

Overview

The share price of a listed investment company often differs from its NTA per share and many listed investment companies, especially those with a market capitalisation of less than A\$400m, trade at significant discounts to their underlying NTA.

In October 2005 the Company's Constitution was amended by the inclusion of Rule 14 entitled "Continuation of the Business". The effect of this amendment is that if certain trading conditions in the shares of the Company occur, Directors are to ensure that Shareholders are provided the opportunity to vote by way of an ordinary resolution at the next Annual General Meeting on the continuation of the Company's business in its present form or otherwise.

The Company's Constitution was further amended in August 2009 by lowering the trading conditions hurdle at which Rule 14 is triggered. Rather than requiring that the daily share price for an entire year trade at a 10 per cent discount to post-tax NTA per share, the amendment requires only that for each of 12 consecutive calendar months the monthly volume weighted average price (VWAP) for the Company's shares sold on ASX is less than 90 per cent of the post-tax NTA per share as at the end of the month. These trading conditions have now occurred.

The table below provides a summary of the trading in the Company's Shares since June 2010.

Month	Post-tax NTA	VWAP	Discount
Jun 2010	91.3	68.8	(24.6%)
Jul 2010	94.4	71.5	(24.3%)
Aug 2010	90.3	72.3	(20.0%)
Sep 2010	93.1	71.7	(23.0%)
Oct 2010	93.6	75.2	(19.7%)
Nov 2010	92.7	76.4	(17.5%)
Dec 2010	94.2	74.5	(21.0%)
Jan 2011	95.2	75.5	(20.7%)
Feb 2011	92.0	79.1	(14.1%)
Mar 2011	92.4	73.7	(20.2%)
Apr 2011	92.8	75.0	(19.2%)
May 2011	92.3	74.2	(19.6%)
Jun 2011	91.6	73.5	(19.7%)
Jul 2011	85.8 ¹	75.7	(11.8%)
Aug 2011	82.8	72.2	(12.7%)

Source: CapitalIQ as at 31 August 2011; company announcements

¹NTA includes provision for dividend although share price is cum-div until the beginning of August. Adjusting for the 3.5cps dividend would result in a discount of 15.3%

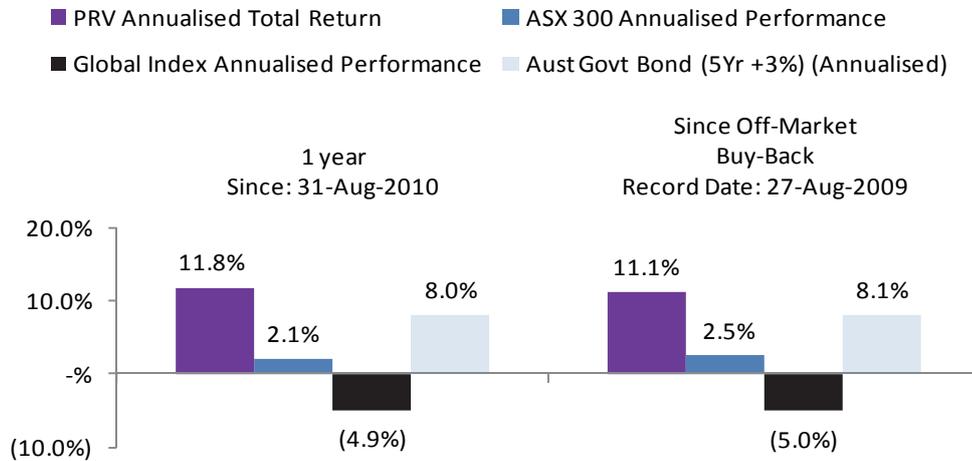
At the AGM Shareholders will be provided the opportunity to vote by way of an ordinary resolution on the continuation of the Company's business in its present form or otherwise. If Resolution 5 is not passed the Board must present to Shareholders at least one alternative with respect to the future management of the Company at an Extraordinary General Meeting. The Extraordinary General Meeting must be held within three months from the date of the meeting contemplated in this Explanatory Memorandum and Notice.

Market conditions and Premium's performance

The Company has delivered a total return to Shareholders of over 11.8% since August 2010. This compares favourably to the return offered by other listed investment companies and the broader market.

The chart below provides a summary of annualised portfolio returns for Premium and relevant benchmark indices to 31 August 2011 over the past year and since the 2009 off-market buy-back.

Premium Annualised Total Return Against Indices and Benchmark



Source: CapitalIQ as at 31 August 2011. Note: benchmark indices include dividends reinvested, pre-tax. The Global Index is in Australian dollars and is unhedged.

Since the 2009 buy-back and portfolio restructure, Premium's share price (with dividends reinvested) has delivered significantly positive annualised share market outperformance of in excess of 8.5%. During the past year shareholders have received a return of 11.8% compared with negative returns in Global market benchmarks and small gains in domestic market benchmarks. During the past quarter of significant market decline, Premium's share price has substantially outperformed the market, cushioning the negative impact.

The Company currently offers a competitive dividend yield of 9.9% fully franked.¹

Why you might vote in favour of Resolution 5

The Company offers Shareholders a unique investment product

Voting in favour of Resolution 5 will ensure that Premium continues to be managed in accordance with its existing investment strategy. Premium is a unique investment for individuals and self-managed super funds.

By holding multiple managers Premium achieves greater diversification of manager investment style. The various investment styles will perform differently in changing market conditions. By holding a portfolio that reflects a range of investment styles, Premium aims to lower the volatility of the overall portfolio value.

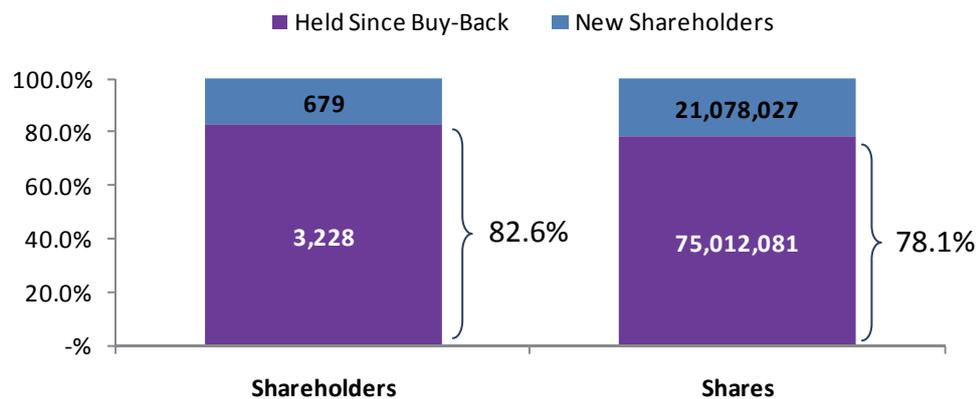
Additionally, by voting in favour of Resolution 5, Shareholders will continue to benefit from having access to a range of investment managers and access expertise in a range of investment markets. Accessing investment opportunities with specialist market knowledge should result in a higher quality portfolio.

¹ Based on final dividend of 7 cents per share and share price as at 31 August 2011.

The Board believes the majority of Shareholders support the continuation of Premium in its present form.

In August 2009, the Company undertook a substantial off-market buy-back. At the time, approximately 65% of individual Shareholders elected to remain as investors in the Company. Of these investors approximately 83% remain as Shareholders today.

PRV Shareholders Since Off-Market Buy-Back

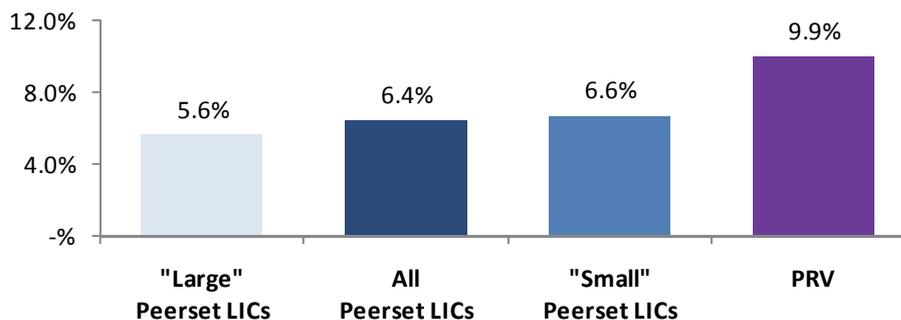


Since the date of the buy-back, those loyal Shareholders have been rewarded with dividends of 15.5 cents per share and the opportunity to re-invest those dividends at an attractive discount. Premium has delivered positive shareholder returns of 11.1% (with dividends reinvested) compared to the broader ASX 300 Accumulation Index which delivered 2.5% over the same period.

The Company has historically paid competitive dividends and has provided an attractive yield to Shareholders

Since inception Premium has delivered a competitive dividend yield. The current yield for FY11 is 9.9%, significantly outperforming the peer group.

PRV Dividend Yield



Source: CapitalIQ as at 31 August 2011. Peer set consists of 27 LICs with market capitalisation of between \$17m and \$4,125m. Large LICs are deemed to be those with market capitalisation of over \$400m.

Premium has also delivered lower volatility than the broader share markets in which it invests.

The Board does not believe that alternatives provide Shareholders with a superior outcome

A liquidation of the Company would force all Shareholders to realise losses while markets and listed investment company share prices are trading at depressed levels.

Current metrics	Per share (cents)
Number of shares	96,090,108
Share price (30 day VWAP)	72.2
NTA before tax on unrealised and after tax on realised profits/losses	82.8
<i>Market cap discount to NTA</i>	<i>(12.7%)</i>
NTA after tax on unrealised and realised profits/losses	82.8
<i>Market cap discount to NTA</i>	<i>(12.7%)</i>
NTA before tax on unrealised and realised profits/losses	77.1
<i>Market cap discount to NTA</i>	<i>(8.6 %)</i>
Less estimated transaction costs and liquidation fees	(0.4)
Less termination fee for Management Agreement	(0.7)
Less termination fee for Management Services Agreement	(0.1)
Total costs	(1.2)
Liquidated portfolio value	75.9
<i>Premium to current market cap and share price</i>	<i>5.1%</i>

Note: As at 31 August 2011

In the event of a liquidation shareholders would lose the future benefit of very substantial accumulated unrecognised tax losses.

The stated tax provision benefits for accounting purposes are 5.7cps and the total unaccounted prospective tax provision benefits represent a further 9.2cps. Hence, a total liquidation would permanently remove potential tax relief benefits totalling 14.9cps and destroy a unique investment which has provided shareholders with a substantial stream of attractive fully franked dividends.

These accumulated tax losses ensure that Premium can continue to trade tax-free for many years and provide the potential for higher returns to long term investors.

Additionally, a substantial buy-back or return of capital would reduce the scale and efficiency of the Company and increase its management expense ratio.

Premium's discount to NTA has been consistently falling

The successful initiatives of the Board's portfolio restructure post the 2009 buy-back have resulted in a market re-rating and a significant reduction in the magnitude of the share price discount to NTA.

As a consequence of this re-rating, in the event of a forced liquidation shareholders would only receive a modest premium to current share prices and eliminate the future benefit of very substantial unrealised tax loss benefits.

Why you might vote against Resolution 5

The Company's shares trade at a discount to NTA

The share price of a listed investment company often differs from its NTA per share and many listed investment companies trade at significant discounts to their underlying NTA. The current Premium share price discount to NTA may persist if the Company continues to operate in its present form.

Shareholders are potentially able to exit at greater immediate value if the Company is restructured

If the Company is restructured as a result of any proposals at the Extraordinary General Meeting, in the shorter term Shareholders could potentially receive greater value for their shares than exiting via the market.

Recommendation

The Board believes that in its present form, Premium continues to provide Shareholders with an attractive investment product delivering underlying capital growth and a high dividend yield.

The Board unanimously recommends that all Shareholders SUPPORT the continuation of the Company's business in its present form and VOTE FOR Resolution 5.

Resolution 6: Adoption of new Constitution

Under section 136(2) of the Corporations Act, Premium can only amend its constitution or adopt a new constitution if Shareholders approve the amendments by passing a special resolution.

As such, the Company under this resolution seeks Shareholder approval, by special resolution, to repeal the Company's Constitution and to adopt a new Constitution.

In accordance with the Listing Rules, a copy of the new Constitution has been provided to the ASX prior to the date of this Notice.

Background to Resolution 6

The Company's Constitution was adopted on 15 September 2003 and amended in October 2005 and August 2009.

The October 2005 and August 2009 amendments were specific amendments relating to the inclusion of a Rule 14 "Continuation of the Business" provision and a subsequent amendment of that same provision.

Since the Constitution's adoption in 2003 there have been a number of changes to the Corporations Act and general corporate governance practices. The October 2005 and August 2009 amendments have not considered or incorporated changes to reflect these changes. As a listed entity, it is important that Premium complies with current practices including those now required under the Corporations Act, Listing Rules and any corporate governance practices.

The new Constitution has been updated to bring the Company's Constitution in line with changes to the law. It also removes provisions that have become outdated. Additionally, the current proportional takeover approval provision has lapsed. As such, the new Constitution proposes replacing the lapsed provision with a new Rule 6 "Proportional takeover approval".

Proportional takeover approval

Under section 648G of the Corporations Act, certain information is required to be included in the notice of meeting where approval to adopt a proportional takeover provision is being sought. The required information is set out below:

(a) Effect of the proportional takeover provision

In the event that a proportional takeover bid is made, the Directors would be required under the proposed Rule 6 to convene a meeting of Shareholders to vote on the resolution to approve the proportional takeover bid. This must occur within 14 days before the last day of the bid period. The resolution must be passed by a simple majority vote (more than 50% of the votes cast) at a meeting of Shareholders (excluding votes by the bidder and its associates). Failing to vote on the takeover bid will deem the takeover bid to have been approved.

Where Shareholders approve the takeover bid or whether such approval is deemed to have been given transfers must be registered in accordance with the Corporations Act and the Constitution.

On the other hand, if the resolution is rejected, registration of shares is prohibited and the offer is deemed to have been withdrawn.

Subject to the Corporations Act, this new Rule 6 has a term of 3 years. It must be renewed by Shareholders at the end of that term or otherwise it is deemed to have lapsed.

(b) Reasons for proposing the proportional takeover provision

A proportional takeover bid could result in a change of control without Shareholder approval facilitated by a partial takeover. This exposes Shareholders to certain risks including becoming a minority Shareholder. As such, the Directors are of the view that Shareholders should be given the opportunity to vote on such bids.

The proposed new Rule 6 has the effect of preventing this, ensuring that Shareholders are given the chance to determine whether a takeover bid of this kind is suitable or not.

(c) Presently proposed acquisitions

As at the date of this Notice, neither the Company nor any Director is aware of any proposal by a person to acquire or increase any substantial interest in the Company.

(d) Potential advantages and disadvantages

The Directors are of the view that there are no potential advantages or disadvantages for the Directors in passing Resolution 6. As such, the Directors may make a recommendation on whether an offer under a proposed takeover bid should be accepted by Shareholders.

The table below sets out a summary of the advantages and disadvantages for Shareholders relating to the proportional takeover approval provision proposed in the new Constitution:

Advantages	Disadvantages
Gives Shareholders the opportunity to consider and vote on a proposed takeover bid	May discourage proportional takeover bids
Forces a potential bidder to formulate an attractive offer (pay a premium for gaining control)	Provision may add an additional layer of compliance and costs associated with obtaining approval
Assists Shareholders from being forced into a minority interest	Shareholders that want to exit may lose an opportunity to do so
Allows Shareholders to better assess a proposed offer under a proportional takeover bid	The chance of a proportional takeover bid succeeding is reduced

(e) Board recommendation of Rule 6 of the new Constitution

The Board having considered the advantages and disadvantages is of the view that the Rule 6 is in the interests of Shareholders and unanimously recommend that

Shareholders support the amendments in Resolution 6 of the Notice:
Adoption of new Constitution.

A summary of the key material provisions (other than the Proportional takeover approval) of the new Constitution are set out in the Annexure to this Notice.

A copy of the proposed new Constitution relating to this Resolution 6 can be located on the Company's website: www.premiuminvestors.com.au.

Otherwise, a copy can be obtained on request by emailing:

info@premiuminvestors.com.au

Recommendation

The Board believes that the proposed new Constitution would ensure that the Company's practices are in line with the current legal and regulatory requirements.

The Board unanimously recommends that all Shareholders SUPPORT the proposed amendment and VOTE FOR Resolution 6.

Resolution 7: Amendments to the Constitution

Resolution 7 seeks Shareholder approval, by special resolution, to amend the Company's Constitution by deleting Rule 14 (Continuation of Business) of the Constitution or if the new Constitution is adopted under Resolution 6 then deleting Rule 15 (Continuation of Business). For the purposes of the Explanatory Memorandum we will continue to refer to the Continuation of Business provision as Rule 14.

Under section 136(2) of the Corporations Act, Premium can only amend its constitution or adopt a new constitution if Shareholders approve the amendments by passing a special resolution.

In accordance with the Listing Rules, a copy of the amended Constitution has been provided to the ASX prior to the date of this Notice.

Rule 14 – Background

The Company's existing Constitution was adopted on 15 September 2003 and amended in October 2005 and August 2009. Additionally, if Resolution 6 of the Notice is passed the new Constitution will be adopted effective immediately.

Rule 14 of the Constitution was inserted into the Constitution following Shareholder approval of this rule at Premium's annual general meeting held on 26 October 2005 (**2005 Amendment**).

Rule 14 was included for the purposes of prescribing a process by which the Company would bring to the attention of Shareholders events where the Company's share price traded at a discount of 10% or greater to the net tangible assets throughout a period of 12 months leading up to the balance date. In these circumstances, Rule 14 would give Shareholders the opportunity to express their opinion by voting on the "continuation of the Company".

Rule 14 was varied in August 2009 following Shareholder approval of the variation at a General Meeting held on 19 August 2009 (**2009 Amendment**).

The 2009 Amendment proposed by the Board, had the effect that if for each 12 consecutive calendar months the monthly volume weighted average price for the Company's ordinary shares sold on the ASX, was less than 90% of the NTA (after tax) then Shareholders must be given the opportunity to vote on the "continuation of the Company's business".

Why you might vote in favour of Resolution 7

Rule 14 creates additional cost and complexity in administering the Company

Premium Shareholders have significant rights under the Corporations Act and Listing Rules to protect their interests and to ensure that they remain informed of the performance of the Company and the value of their investment. Rule 14 does not of itself provide Shareholders with any material further rights in relation to their shareholding in the Company.

Rule 14 is unusual and inconsistent with market practice for other listed investment companies

The Company has undertaken a review of 42 other listed investment companies and has only identified one company with a continuity clause.

The presence of the rule increases the likelihood of short-term opportunistic investors entering the register

The presence of short-term speculative investors can disrupt the effectiveness of the Company's strategic long-term investment focus that is designed to provide all Shareholders with attractive tax effective returns throughout the full duration of investment cycles. Such activities are not considered to be in Shareholders' best interests and are likely to be against the interests of the majority of long term loyal Shareholders.

Why you might vote against Resolution 7

Removes automatic trigger for Shareholders to express their opinion

Removing Rule 14 removes an automatic trigger that activates the need for Shareholders to show positive support.

This in turn removes the requirement for the Board to hold an extraordinary general meeting for the purposes of proposing at least one alternative for the future management of the Company in circumstances where Shareholders vote not to continue the Company's business in its present form.

A copy of the proposed new Constitution can be located on the Company's website:
www.premiuminvestors.com.au

Otherwise, a copy can be obtained on request by emailing:
info@premiuminvestors.com.au

Recommendation

The Board believes that the proposed amendment to the Company's Constitution would provide Shareholders with greater stability and certainty for the future of their investment in Premium.

The Board recommends that all Shareholders SUPPORT the proposed amendment and VOTE FOR Resolution 7.

Glossary

In this Explanatory Memorandum, and Notice:

AGM or Annual General Meeting refers to the annual general meeting contemplated in this Explanatory Memorandum and Notice.

ASX means the ASX Limited.

Board means the board of Directors.

Chairperson means the person appointed as chairperson of the meeting to be held in accordance with the Notice.

Company or Premium mean Premium Investors Limited (ABN 47 106 259 885).

Constitution means the constitution of Premium adopted on 15 September 2003 (as amended).

Corporations Act means the Corporations Act 2001 (Cth.)

Directors means the directors of Premium.

Explanatory Memorandum means this explanatory memorandum including the Annexure.

Listing Rules refers to the listing rules of the ASX.

Notice means the Notice of Annual General Meeting which accompanies this Explanatory Memorandum.

Shares means ordinary shares in the capital of Premium.

Shareholders means the holders of Shares.

2005 Amendments has the meaning given to it in the Explanatory Memorandum.

2009 Amendments has the meaning given to it in the Explanatory Memorandum.

Annexure

Summary of key amendments to proposed new Constitution under Resolution 6

General overview

The proposed new Constitution brings the Company's existing Constitution in line with changes to the law and current best practices for a listed company. Many of the amendments are included to add certainty and clarity to existing provisions.

Key amendments

The table below provides a summary of the key proposed amendments:

Rule 2.1 – Shares	This rule deals with the power to issue, allot, grant options for, or otherwise dispose of, shares in the company. This power currently rests with the Directors. The power has been amended to add certainty. Additionally, when issuing shares, Directors must ensure compliance with the Corporations Act and the ASX Listing Rules.
Rule 2.2 – Preference Shares	The Corporations Act prohibits the issue of preference shares unless the rights attaching to those shares are set out in the constitution, or have otherwise been approved by special resolution. The Constitution includes a right to issue preference shares. The proposed new Constitution amends this rule to add certainty and clarity particularly with respect to redeemable preference shares. These amendments give the Company greater flexibility should it undertake capital raising initiatives in the future.
Rule 2.3 – Alteration of share capital	The Corporations Act permits the alteration of capital. This rule adds additional circumstances where the Company's share capital can be altered, subject of course to the Corporations Act. Specifically in the circumstances where a Shareholder becomes entitled to a fraction of a share on a consolidation.
Rule 2.4 – Conversion or reclassification of shares	This rule permits the Company by resolution to convert or reclassify shares from one class to another. At present the Company has one class of shares on issue. However, this gives the Company greater flexibility should it have different classes of shares in the future.
Rule 2.5 – Variation of class rights	This rule has been inserted to give the Company greater flexibility should it have more than one class of shares on issue. It sets out the procedure to be followed to change any rights attaching to an existing class of shares in the event that more than one class is issued. The procedure requires Shareholders holding 75% of the shares on issue in that class to consent in writing to the change or otherwise by a special resolution passed at a separate meeting of the holders of these shares.

<p>Rule 2.8 – Restricted securities</p>	<p>This rule sets out the procedure to follow when any of the Company’s share capital is classified as restricted securities in accordance with the ASX Listing Rules.</p>
<p>Rule 3.8 – General provisions applicable to a disposal of shares under this constitution</p>	<p>This rule has been amended to add clarity and certainty. In particular, it sets out a process to be followed when dealing with proceeds of a sale.</p>
<p>Rule 3.9 – Interest payable by a member</p>	<p>This rule has been amended to add clarity and reduces the default interest rate payable by a member to the Company from 8% to 2%. It sets out the circumstances where a higher rate may apply.</p>
<p>Rule 4 – Distribution and capitalisation of profit</p>	<p>This rule has been amended to reflect the new dividend rules that govern when the Company may pay a dividend.</p> <p>The new rule sets out the when Directors may pay any interim or final dividend and provides that the Directors can determine, declare and fix the amount of the dividend as permitted by law.</p> <p>The rule provides Directors with powers to determine what source the dividends are to be paid from, whether the dividend will be a partially or wholly paid by a distribution of assets, whether to establish a dividend reinvestment plan, the method of payment or set aside reserves.</p> <p>The discretions given to Directors apply subject to the ASX Listing Rules and the Corporations Act.</p> <p>The capitalisation of profit rule is also amended in the new Constitution to add clarity as to the circumstances in which the Directors may capitalise and distribute profits.</p>
<p>Rule 5 – Transfer and transmission of shares</p>	<p>The amendments to this rule add clarity with respect to the power to transfer shares. Broadly the power to transfer is subject to the Constitution, the Corporations Act and the ASX Listing Rules.</p> <p>The amendments clarify the process for transferring shares and the power of Directors to refuse to register any transfer of shares (subject to any restrictions in the Listing Rules).</p> <p>The amendments also add clarity to the mechanism for divesting a holder of unmarketable parcels of shares.</p>

<p>Rule 6 – Proportional takeover approval</p>	<p>The proportional takeover provisions under section 648G(1) of the Corporations Act cease to apply after 3 years from the date of their approval by Shareholders unless they are renewed by special resolution of Shareholders. As such, the existing provision in the existing Constitution has lapsed.</p> <p>The new Constitution proposes new proportional takeover provisions.</p> <p>A proportional takeover bid is a takeover bid where the offer made to each Shareholder is only for a portion of that Shareholder’s shares.</p> <p>These provisions allow Shareholders to decide by a majority vote whether to approve or reject a partial takeover for the Company’s shares.</p> <p>The rules governing a proportional takeover bid do not apply to a full takeover bid.</p>
<p>Rule 7 – General Meeting</p>	<p>This rule has been amended to clarify the process for meeting generally and particularly to give the Company greater flexibility in relation to General Meetings. The powers of the chair of a General Meeting, voting rights and representations at meetings.</p>
<p>Rule 8 - Directors</p>	<p>This rule has been amended to clarify the process for appointing Directors.</p> <p><i>Appointments</i></p> <p>The new Constitution permits a person to be nominated for the office of director in the following circumstances:</p> <ul style="list-style-type: none"> • the person is in office before the meeting; • the person has been nominated by the Directors at that meeting; or • where the person is a member, he or she has given written notice stating his or her desire to be a candidate (notice must be given at least 40 business days before a meeting or 30 days before a meeting called by members, but in each case not more than 90 business days prior); or • where the person is not a member, a member intending to nominate the person for election has given written notice (notice must be given at least 40 business days before a meeting or 30 days before a meeting called by members, but in each case not more than 90 business days prior).

	<p>The new rule expressly prohibits a partner, employee or employer of an auditor of the Company to be appointed or elected as Director.</p> <p>The new rule also clarifies the appointment of alternative directors and committees of directors.</p> <p><i>Remuneration and expenses</i></p> <p>This rule has also amended the remuneration and expenses provision providing that the amount to be paid to directors (excluding executive directors and the managing director) must not exceed in aggregate in any financial year the amount fixed by the Company in a General Meeting. Such remuneration may be paid in any manner the Directors decide including by way of non cash benefit such as a superannuation contribution.</p> <p>Additionally, Directors are entitled to be paid for costs associated with travelling and other expenses properly incurred in attending meetings of the Company.</p> <p>If extra services are provided the Directors may agree to pay a director additional remuneration as they decide appropriate for the extra services.</p> <p><i>Powers generally</i></p> <p>The new rule also amends the powers of Directors with respect to the issue of debentures and securities and contracting with the company and to hold other offices. The directors have the power to make regulations requiring disclosure of interests.</p> <p><i>Proceedings of Directors</i></p> <p>The new rule provides for situations where technical difficulties occur during a Directors meeting. The new rule gives the Chairperson the power to continue a meeting even if some Directors are unable to participate due to technical difficulties in the circumstances where they are attending the meeting by telephone or other electronic means. However, this power may only be exercised where a quorum of Directors remain present.</p> <p><i>Written resolutions</i></p> <p>The written resolutions provision has also been amended to add clarity as to when a written resolution of the directors is taken to have been passed and the process for passing that resolution.</p> <p>Essentially, it permits a resolution to be passed by the majority.</p>
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<i>Rule 9 – Executive Officers</i>	The new Constitution clarifies the rules governing Executive Officers.
<i>Rule 12 – Inspection of and access to records</i>	<p>This provision dealing with the inspection of and access to records replaces Rule 11.5 of the current Constitution.</p> <p>Specifically it provides that subject to the law and any other rights that Directors or former Directors may have, only Directors have a right to inspect the board papers, books, records or documents of the Company. It also permits the Company to enter into a contract with its Directors, former Directors or subsidiaries agreeing to provide access for a period.</p>
<i>Rule 13 – Execution of documents</i>	This provision is amended to clarify the ways in which the Company may execute documents.
<i>Rule 14 – Notices</i>	This provision is amended to clarify the ways in which the Company may give notices to Shareholders and Directors. It also inserts a new provision for notices by Directors to the Company and the time for service applicable to these notices.
<i>Rule 16 – General</i>	The new Constitution inserts this new provision which sets out that each Shareholder submits to the non-exclusive jurisdiction of NSW, and a prohibition and enforceability provision.

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
 Computershare Investor Services Pty Limited
 GPO Box 242 Melbourne
 Victoria 3001 Australia

Alternatively you can fax your form to
 (within Australia) 1800 783 447
 (outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
 (custodians) www.intermediaryonline.com

For all enquiries call:
 (within Australia) 1300 850 505
 (outside Australia) +61 3 9415 4000

000001 000 PRV
 MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030



Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

- Cast your proxy vote**
- Access the annual report**
- Review and update your securityholding**

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 10.30 am (Sydney time) Monday, 24 October 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
 or turn over to complete the form** ➔

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Premium Investors Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Premium Investors Limited to be held at the offices of Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street, Sydney, NSW 2000 on Wednesday, 26 October 2011 at 10.30 am (Sydney time) and at any adjournment of that meeting.

Important for Resolution 4 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default and you do not mark any of the boxes in step 2 below on Resolution 4 you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions as set out below and in the Notice of Meeting even though Resolution 4 is connected directly or indirectly with the remuneration of a member of key management personnel. Please note you can direct the Chairman of the Meeting to vote for, against or abstain from voting on Resolution 4 by marking the appropriate box in Step 2 below.

STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

	For	Against	Abstain
Resolution 1 Retirement and re-election of Lindsay Mann	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Election of Roland David Burt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Retirement and re-election of Kenneth Stout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Continuation of the Company's business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

Resolution 6 Adoption of new Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Amendment to the Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of Resolutions 1, 4 - 7 and against Resolution 2 and 3.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / / _____

OVERVIEW

Premium has consistently worked to enhance the value of your shareholding and would like to continue to do so.

Some aspects of the Board’s plan require your approval.

The Board’s aim is to continue the Company’s business in its present form.

The Board recommends all shareholders vote as follows:

RESOLUTION		BOARD RECOMENDATION
1	Retirement and re-election of Lindsay Mann	VOTE FOR¹
2	Election of Roland David Burt	VOTE AGAINST
3	Retirement and re-election of Kenneth Stout	VOTE AGAINST²
4	Remuneration report	VOTE FOR
5	Continuation of Company’s business	VOTE FOR
6	Adoption of new Constitution	VOTE FOR
7	Amendments to the Constitution	VOTE FOR

A summary of the Board’s recommendations for each Resolution is covered in this Overview document. More detailed statements on these resolutions can be found in the Explanatory Statement

Note 1: Lindsay Mann abstained from voting. The remaining three directors are unanimous in their support of Resolution 1

Note 2: The Board recommendation in respect of Resolution 3 is the majority of the Board (three directors).

The Board recommendation in respect of all other resolutions is unanimous (four directors).

RESOLUTION 1: RE-ELECTION OF LINDSAY MANN

The Directors, other than Mr Mann, recommend all shareholders **VOTE FOR**
Resolution 1:



MR LINDSAY MANN WAS APPOINTED AS PART OF PREMIUM'S SUCCESSION PLANNING

Since Mr Mann joined the Board he has demonstrated the benefits of his credentials and experience as a former senior executive in the global and domestic fund's management industry.

His skills are ideally suited to enhance and complement the Board's aim of providing a unique and well diversified long term investment process for Premium's shareholders.

RESOLUTION 2: ELECTION OF ROLAND BURT

The Board unanimously recommends all shareholders **VOTE AGAINST**
Resolution 2:



THE MAJORITY OF THE BOARD BELIEVES THAT THE CURRENT BOARD SIZE SHOULD BE REDUCED

A company of Premium's size can most efficiently be overseen by a Board of 3 members. The Board plans to reduce the current Board size of four to three to continue the process of reducing costs.



THE BOARD BELIEVES THAT ROLAND BURT WOULD NOT ADD TO THE BOARD'S CURRENT KNOWLEDGE AND EXPERIENCE IN THE FUNDS MANAGEMENT INDUSTRY

The Board believes that whilst Mr Burt is a capable lawyer, he has limited experience in the funds management industry.

RESOLUTION 3: RE-ELECTION OF KENNETH STOUT

The majority of the Board recommends all shareholders **VOTE AGAINST**
Resolution 3



THE MAJORITY OF THE BOARD BELIEVES THAT THE CURRENT BOARD SIZE SHOULD BE REDUCED

Mr Stout has been a valuable member of the Board and has contributed greatly to the Company. However, in line with the Board's stated objective to reduce the Board size to three members, and as Mr Stout is the longest serving director (first appointed in 2003), the majority of the Board has decided not to support his re-election.

RESOLUTION 4: REMUNERATION REPORT

The Board unanimously recommends all shareholders **VOTE FOR** Resolution 4:

✓ **THIS IS A NON-BINDING RESOLUTION REQUIRED BY THE CORPORATIONS ACT**

Shareholders will be given the opportunity to discuss the remuneration report at the meeting. Any vote on the adoption of the remuneration report is advisory only and does not bind the Directors or Premium.

RESOLUTION 5: CONTINUATION OF THE COMPANY'S BUSINESS

The Board unanimously recommends all shareholders **VOTE FOR** Resolution 5:

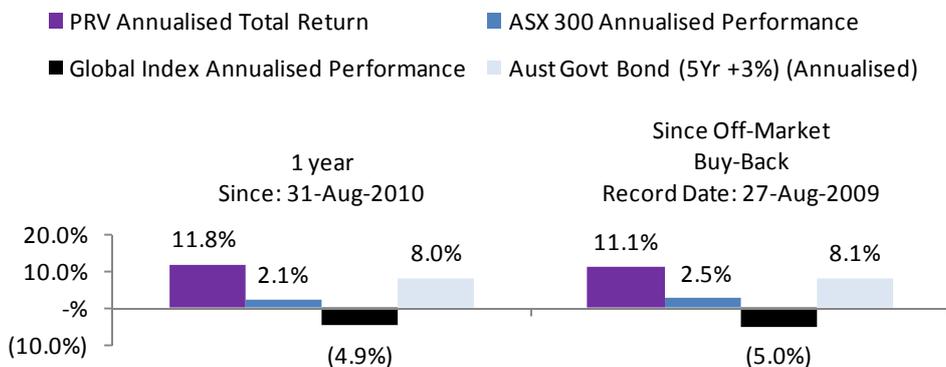
✓ **UNIQUE INVESTMENT FOR INDIVIDUALS AND SELF-MANAGED SUPER FUNDS**

By holding multiple managers Premium achieves greater diversification of manager investment style. Shareholders will be able to continue to access both global and domestic investment opportunities with specialist knowledge at a lower cost than direct investment in Individual securities



✓ **ATTRACTIVE INVESTMENT PRODUCT DELIVERING CAPITAL GROWTH**

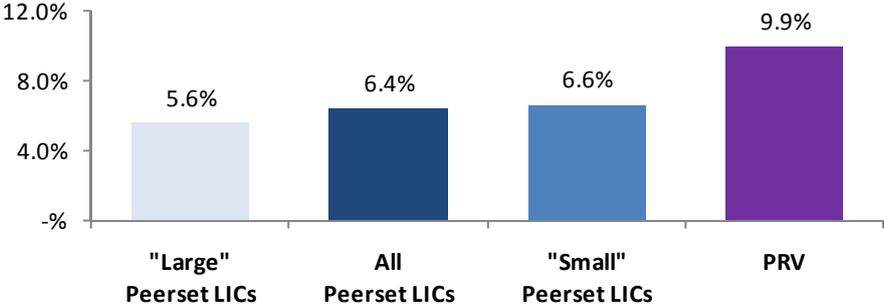
Since the 2009 buy-back and portfolio restructure, Premium's share price (with dividends reinvested) has delivered significantly positive annualised share market outperformance of in excess of 8%



Source: CapitalIQ as at 31 August 2011. Note: benchmark indices incl. dividends reinvested, pre-taxes. The Global Index is in Australian dollars and is unhedged

✓ PREMIUM HAS PAID HISTORICALLY STRONG DIVIDENDS

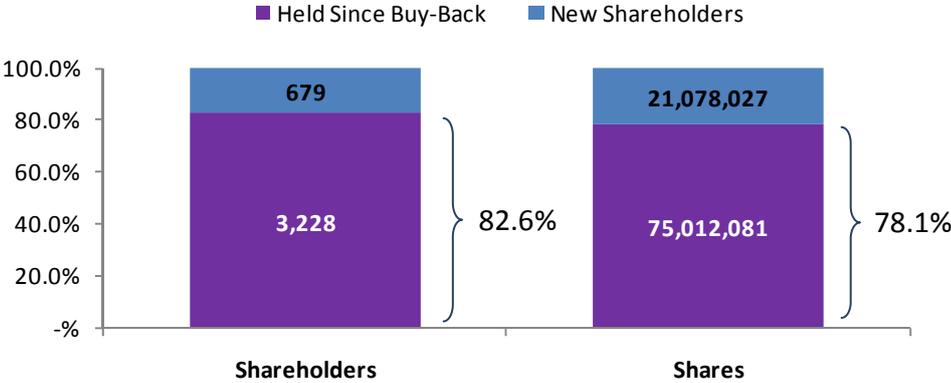
The current dividend yield of 9.9% is significantly higher than the average of Premium’s peer group



Source: CapitalIQ as at 31 August, the peerset consists of 27 LICs with market capitalisation of between \$17m and \$4,125m. Large LICs are deemed to be those with market capitalisation of over \$400m.

✓ THE BOARD BELIEVES THE MAJORITY OF SHAREHOLDERS SUPPORT THE CONTINUATION OF PREMIUM IN ITS PRESENT FORM

83% of Premium’s current shareholders chose not to participate in the 2009 buy-back and they represent 78% of the current shares on issue



In summary, the Board believes that Premium offers its shareholders a uniquely high-yielding, well diversified, and high performing investment opportunity with no direct alternative investments available in the market.

The Board unanimously recommends all shareholders VOTE FOR Resolution 5

RESOLUTION 6: ADOPTION OF NEW CONSTITUTION

The Board unanimously recommends all shareholders **VOTE FOR** Resolution 6



THE PROPOSED NEW CONSTITUTION WOULD ENSURE THAT THE COMPANY'S PRACTICES ARE IN LINE WITH THE CURRENT LEGAL AND REGULATORY REQUIREMENTS

RESOLUTION 7: AMENDMENTS TO THE CONSTITUTION

The Board unanimously recommends all shareholders **VOTE FOR** Resolution 7



SAVE ON ADDITIONAL COST AND COMPLEXITY IN ADMINISTERING THE COMPANY

Amending the Constitution is an opportunity to align Premium's Constitution with other listed investment companies



DETER LIKELIHOOD OF SHORT-TERM OPPORTUNISTIC INVESTORS

Presence of short-term speculative investors can disrupt the effectiveness of the Company's strategic long-term investment focus designed to provide all shareholders with attractive tax effective returns throughout the full duration of investment cycles



GREATER STABILITY AND CERTAINTY FOR SHAREHOLDERS

PREMIUM
INVESTORS LIMITED

ANNUAL REPORT 2011





ABOUT PREMIUM

Premium Investors Limited (Premium) is a listed investment company (LIC) whose shares have been listed on the Australian Stock exchange (ASX) since November 2003. Premium invests in Australian funds that invest in both Australia and overseas markets.

Treasury Group Limited founded Premium in 2003 to give small investors early access to boutique investment managers. Premium's lead portfolio manager, Treasury Group Investment Services Limited (TIS), adopts a 'manage the manager' approach to investment. TIS selects and monitors specialist boutique investment managers to achieve diversification across investment styles, countries and industries. Premium does not borrow to invest.

Premium's Objective

Premium aims to achieve a high long-term real rate of return for investors, comprised of both income and capital growth, while aiming to reduce the risk and quantum of capital loss over the shorter term.

Premium Benefits

The appeal of Premium's investment approach lies in the risk reducing benefits of diversification.

Diversification can provide greater protection against loss because the performance impact of a single investment is lower in a portfolio exposed to different investment manager styles, a cross section of investment markets, and a variety of different industries, than it is in a portfolio with a more narrow set of investments. Overall, diversification should result in the portfolio being less volatile than the broader sharemarket.

Country diversification

Premium's portfolio includes companies from across the globe, which broadens the portfolio's opportunities for income and growth.

Industry diversification

Premium's investment managers seek to invest in companies with quality earnings streams and strong prospect.

Manager diversification

Having multiple investment managers means a diverse range of manager styles. This can potentially reduce the volatility of the portfolio's asset value.

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2011 Annual General Meeting

10.30am Wednesday 26 October 2011
Computershare Offices
Level 4
60 Carrington Street
Sydney
ABN 47 106 259 885





CHAIRMAN'S REPORT

Premium has delivered positive results for our shareholders whilst prudently managing the cost base

Dear Shareholder,

The past twelve months have been a difficult year in funds management. The continuing volatility of the global equities markets reflects the high level of caution among investors. Your Board continues to focus on providing 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.

Your Board reported a Net Profit after Tax for the year ended 30 June 2011 of \$8.04m (2010 \$18.1m). 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. The total dividend for the financial year ended 30 June 2011 is 7 cents, representing a dividend yield of 9.6% fully franked¹.

Treasury Group Investment Services and its specialist investment managers delivered a competitive portfolio return of 11.4% in 2010/11. This is an attractive performance compared to a backdrop of continued volatility in the equities markets.

Over the past year, the Company 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 both attractive long term growth potential as well as a sustainable, tax effective high yield dividend return.

PRV's management expense ratio (MER) for the year ended 30 June 2011 was 1.6%. This reduction in MER from the prior comparable period was driven by the Company's focus on costs and the move from mandates to pooled funds.

¹ Based on 12 month volume weighted average share price to 30 June 2011



The share price of a listed investment company often differs from its net tangible assets (NTA) per share. Over the past year, Premium has traded at a discount to the Company's underlying NTA. Your Board believes that Premium's benefits as an attractive investment product delivering capital growth and a high yield are yet to be reflected in its share price. Premium is a unique investment product for individuals and self-managed superannuation funds. By holding multiple managers Premium achieves greater diversification of manager investment style and provides shareholders access to investment opportunities with specialist knowledge.

I encourage you to visit our website at www.premiuminvestors.com.au to obtain ongoing reports about Premium's corporate strategy, investment performance, portfolio management and investment outlook.

Thank you to our shareholders for your ongoing support.

Tom Collins

Chairman

SUMMARY OF RESULTS

Net Profit

The company made a profit for the financial year ended 30 June 2011 of \$8.0 million after taking into account unrealised gains of \$4.4 million.

Net profit after tax \$8.0m	(09/10 \$18.1m)
Earnings per share – 8.57 cents	(09/10 14.37 cents)

Net Asset Backing

The Company's net asset backing per share increased by 0.3% over the 2010/11 financial year.

NTA per share 91.6 cents	(09/10 91.3 cents)
Total portfolio value \$79.4m	(09/10 \$75.4m)

Dividend

The Company paid a total of 7 cents per share fully franked for the 2010/11 financial year.

Final 3.5 cents per share	(09/10 3.5 cents)
Interim 3.5 cents per share	(09/10 5 cents)



INVESTMENT MANAGER REVIEW

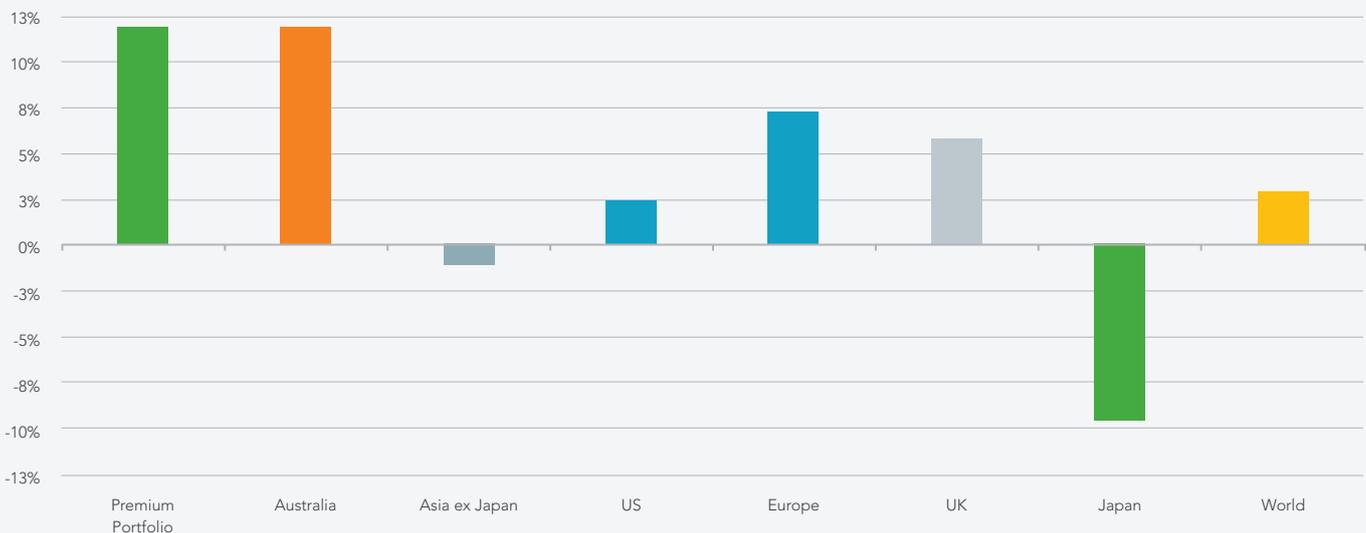
Despite another very challenging year in financial markets, the Premium portfolio performed well and generated a +11.92% return for the financial year ending 30 June 2011. The financial year 2010/11 was dominated by some very dramatic events; significant natural disasters in Japan, New Zealand and Australia, political uprisings throughout North Africa and the Middle East as well as government bailouts across Europe. As such the potential for financial investment gains were impacted by the lack lustre global economic recovery, regional difficulties that impacted negatively on company fundamentals, a financial sector constantly readjusting to significant changes to monetary policies as governments around the world were forced to address sovereign financing issues.

Nevertheless, there was optimism about a global recovery boosted growth assets in the first half of the year, only to be replaced by questions of its sustainability in the second half. Greek and wider Eurozone debt problems, added to fears of a slower than anticipated global growth outlook which in turn impacted on shares markets during the last quarter of fiscal 2011.

Despite the significant volatility throughout the year, equity markets performed well. In local currencies, Australian shares returned almost 12%, US equities 28% and European shares 11%. For Australian Investors, however, the returns were counterbalanced by the strong Australian dollar rally against the US dollar. The Australian dollar hit a historical high of A\$1 equating to US\$1.097 against the US dollar in April 2011 and left investors with any unhedged overseas returns exposed to adverse currency positions. The difference between hedged and unhedged returns for international equities was 18.85%.

Focusing now on the coming months, the local economic outlook remains solid on the back of high export prices and continuing strong growth in Asian markets. Eurozone problems could continue to persist for some time but some of the recent flight from equities to bonds may reverse as economic activity picks up again later this year and into 2012.

Financial Year 2011 – Share markets in AUD





INVESTMENT MANAGER REVIEW

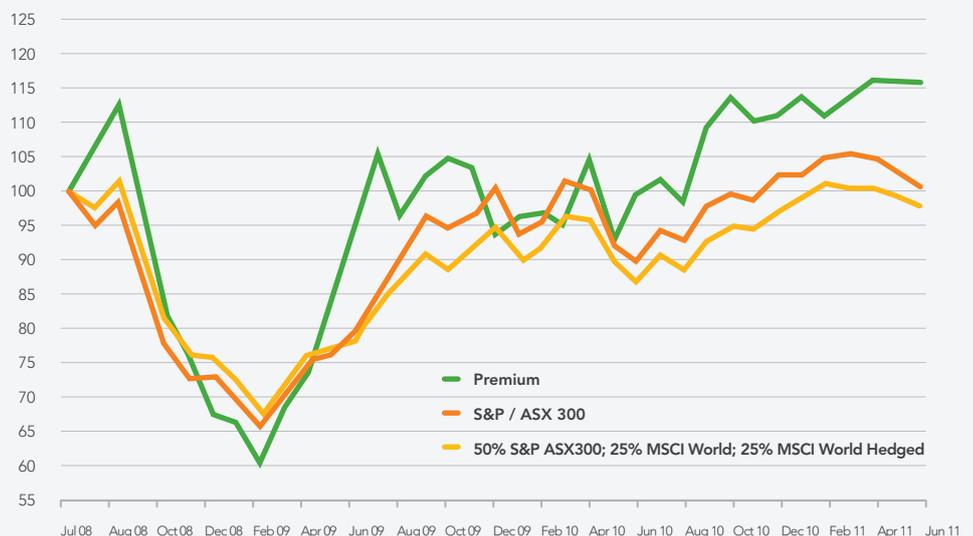
Portfolio Performance

On the back of the fragile global recovery under the strain of sovereign debt problems, high oil prices and the Japanese earthquake, the Premium portfolio performed well and generated a +11.92% return for the financial year ending 30 June 2011. This was above all the major markets across the globe: Australia (+11.90%), Asian ex Japan (-0.85%), Europe (+7.31%), US (+2.50%) and World (+2.97%) and above Premium's high hurdle performance benchmark of 8.41%.

Despite the twelve months to June 2011 delivering significant volatility, the diversification benefits of Premium's multi manager structure, enabled the portfolio to achieve this result with lower volatility (5.43%) than was experienced in both the Australian (8.45%) and the International share markets (7.53%).

The Australian and the International parts of the portfolio contributed equally to Premium's positive performance. The Australian component did particularly well during the first 6 months with the International portfolio taking the lead from January 2011. During the year, the hedging of overseas currencies in Australian Dollar was also favorable.

Premium Share Price Movements



Source: RBC Dexia, Treasury Group Investment Services and MSCI

In terms of manager selection, six out of the seven managers in the portfolio contributed positively to Premium's performance. RARE Infrastructure and GVI were the strongest contributors with + 27.68% and + 13.19% returns respectively in FY2011. Aubrey also performed well with a 9.44% against 2.51% for its International shares benchmark. IML performed particularly well during the first 6 months of the year and Orion performed in line with market.

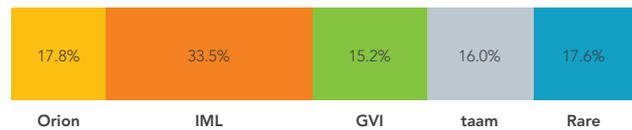
Investment Managers

Premium's allocation to fund managers has changed during the year with the introduction of 2 new boutiques in August 2010 and January 2011. Aubrey Capital Management, an international growth manager was added to the portfolio in August to benefit from the world global recovery after the financial crisis. Aubrey has exposure to growing sectors such as consumer franchises and emerging consumption and has outperformed its International share market by almost 7% since being added to the portfolio. At the beginning of 2011, we choose to protect the Premium

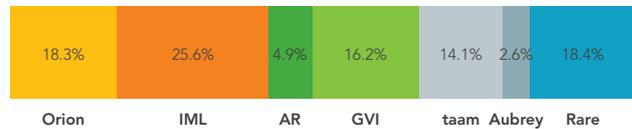
portfolio against the increasing volatility of the markets by introducing AR Capital, an Australian absolute return manager offering a long/short Australian Equity strategy. Since its inclusion in the portfolio, AR Capital has offered 1.4% volatility, 7 % lower than the ASX 300.

The allocations to the other fund managers have been actively managed and rebalanced throughout the year.

Allocation at 30 June 2010



Allocation at 30 June 2011



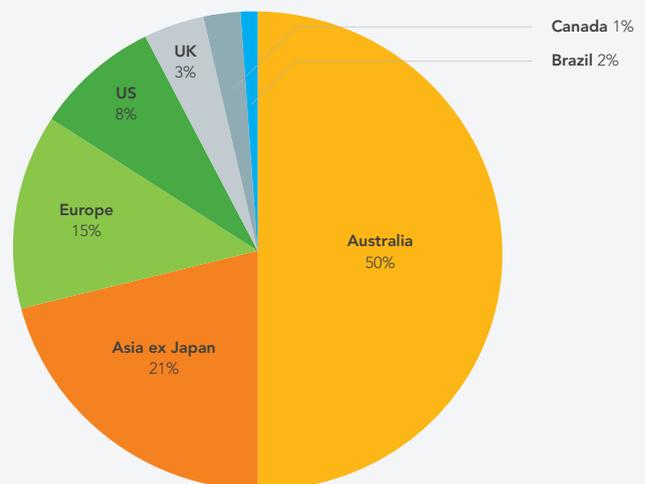
Source: Treasury Group Investment Services

Premium Portfolio Returns



Source: RBC Dexia, Treasury Group Investment Services and MSCI

Premium Geographic Investment breakdown – 30 June 2011



Source: Treasury Group Investment Services

INVESTMENT MANAGER REVIEW

Aubrey Capital Management (Aubrey)

In Premium's portfolio since August 2010

A global growth equities thematic manager



Aubrey is an outstanding investor in global equity markets, focused on those companies that will deliver above average earnings growth. Aubrey has delivered strong performance since the firm was set up in 2006. Staffed by senior investment professionals from Walter Scott and Stewart Ivory/Colonial First State, Aubrey differentiates itself from its peers by, focusing on concentrated portfolios of growth stocks, their ability to deviate from the broader market indices and their search for growth companies across the globe. Their growth investment style has historically led them to a high exposure to Asia although they search for the best growth ideas across the globe. Aubrey is based in based in Edinburgh, Scotland.

AR Capital Management (AR Capital)

In Premium's portfolio since January 2011

An Australian equities absolute return manager



Located in Melbourne, AR Capital is a unique manager for Premium, as they are what is known as an absolute return focused manager. AR Capital looks to own companies with attractive fundamentals and valuation, while shorting (or holding a negative position) in companies which are overvalued or where they believe their fundamentals are misunderstood by the market. The team at AR Capital is comprised of extremely experienced investors with long track records in Australian financial markets. Since launching their fund in 2006, they have protected capital even during the severe market downturn.

Investors Mutual Limited (IML)

In Premium's portfolio since November 2003

An Australian equities manager with a value based approach to investing



Investors Mutual was established in 1998 and has a conservative investment style. The IML team, based in Sydney, applies a conservative value-based investment style with a long-term focus and aims to deliver consistent returns. Investors Mutual looks to invest in companies with four clear quality characteristics: competitive advantage, recurring earnings, capable management and the ability to grow over time. The benefit of IML's investment style to the Premium portfolio is their focus on not only the highest quality investments that have great business structures and plans but are also supported by solid dividend yields.

INVESTMENT MANAGER REVIEW

Orion Asset Management (Orion)

In Premium's portfolio since November 2003

An Australian growth manager with very selected stocks listed overseas

Based in Sydney, Orion is a specialist Australian equities fund manager founded by its Chief Investment Officer, Tim Ryan in 2002. This highly regarded investment management business has a growth oriented style, designed to perform throughout economic cycles. Orion seeks to invest in mispriced companies that have the potential to grow their earnings and sustain profitability. Orion's team is strongly research driven and uses technology intensively to identify ideas and investment opportunities. Companies are selected within the context of a global economic framework and particular attention is applied to industry dynamics. The portfolios are constructed using the best ideas flowing from the research process.



Global Value Investors (GVI)

In Premium's portfolio since February 2005

A specialist international equities manager selecting stocks on earnings fundamentals

GVI has a conservative value based investment approach that aims to provide consistent returns from a diversified portfolio of global companies. GVI focuses on high quality global dividend paying companies with the ability to deliver total shareholder return via growth in earnings and dividends sustainably over time. Companies in the portfolio are required to have strong balance sheets and cashflows, capable management with an effective business model and be trading at what GVI considers to be attractive valuations. GVI is not benchmark oriented. As such, the geographic or industry exposures will differ considerably from market quoted indices and benchmarks.



RARE Infrastructure Limited (RARE)

In Premium's portfolio since August 2006

A specialist investor in global listed infrastructure

RARE Infrastructure Limited is a boutique manager that specialises in the investment and management of securities in the global listed infrastructure sector, including airports, gas, electricity, water and roads. The team combines 90+ years of experience in global infrastructure and 70+ years in funds management across both Australian and international markets. Highly experienced, the team follows stocks in both developed and emerging markets. They are focusing on looking to companies with fundamental long term value, strong balance sheets and management.



RARE invests the assets of the portfolio in securities which offer positive absolute returns rather than selecting securities because they are included in a particular industry standard index.

This asset class is designed to gain long term yield an above inflation returns.

INVESTMENT MANAGER REVIEW

Treasury Asia Asset Management (TAAM)

In Premium's portfolio since August 2005

An Asian equities specialist manager

This boutique Asian equity funds management business founded in 2005 by Peter Sartori operates out of Singapore and Sydney. TAAM specialises in active investment management in the dynamic Asia Pacific Region excluding Japan, managing portfolios for both institutional and retail investors to achieve long-term capital growth.

TAAM's number one priority is to maintain a strong investment culture with the focus to deliver superior investment performance for clients. The team seeks to invest in medium to large capitalization listed securities that offer positive absolute returns over the medium to long term. The portfolio is concentrated to between 40 and 60 stocks that are held for a period greater than 12 months.



FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011



CORPORATE INFORMATION

Premium Investors Limited

ABN 47 106 259 885

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

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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

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.

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 Wattyl 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:

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

Dividends

Dividends	Cents	\$
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)

Earnings Per Share

	Cents
Basic earnings per share	8.57
Diluted earnings per share (Cents)	8.57

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.

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:

30 JUNE 2011

	Annual Remuneration	Post Employment Benefits	Total
	Short Term Base fees	Superannuation	
	\$	\$	\$
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)	36,697	3,303	40,000
TOTAL	152,904	13,762	166,666

DIRECTORS' REPORT (cont'd)

Remuneration report (Audited) 30 JUNE 2010

	Annual Remuneration	Post Employment Benefits	Total
	Short Term Base fees	Superannuation	
	\$	\$	\$
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)	36,697	3,303	40,000
TOTAL	174,311	15,689	190,000

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' 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:

Number of meetings	Directors Meeting		Audit Committee Meetings	
	A	B	A	B
John Elfverson	4	4	-	-
Kenneth Stout	7	7	3	3
Reubert Hayes	7	7	-	-
Tom 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 end of this report, there were no unissued 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:

TOM COLLINS
Director

Dated this 23rd 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.

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

Ernst & Young

A handwritten signature of Rita Da Silva.

Rita Da Silva
Partner
23 August 2011

CORPORATE GOVERNANCE STATEMENT AS AT 30 JUNE 2011



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.

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

CORPORATE GOVERNANCE STATEMENT AS AT 30 JUNE 2011 (cont'd)

Foundations for management and oversight (Cont'd)

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.

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.

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.

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.

CORPORATE GOVERNANCE STATEMENT AS AT 30 JUNE 2011 (cont'd)

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.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
	Note	\$'000	\$'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)	(1,375)	(2,987)
Profit before income tax expense		8,011	18,083
Income tax benefit	3(a)	25	57
Profit after tax expense		8,036	18,140
Other comprehensive income		-	-
Total comprehensive income for the year		8,036	18,140
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.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

		2011	2010
	Note	\$'000	\$'000
ASSETS			
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 assets	3(d)	5,508	5,508
TOTAL ASSETS		88,285	82,588
LIABILITIES			
Trade and other payables	9	226	581
TOTAL LIABILITIES		226	581
NET ASSETS		88,059	82,007
EQUITY			
Contributed Equity	10	108,249	103,771
Retained earnings	11	(20,190)	(21,764)
TOTAL EQUITY		128,439	125,535

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

		Issued Capital	Retained Earnings	Total
	Note	\$'000	\$'000	\$'000
Balance at 1 July 2009		220,827	(35,459)	185,368
Profit for the year		-	18,140	18,140
Total comprehensive income for the year		-	18,140	18,140
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
Balance at 30 June 2010		103,771	(21,764)	82,007
Balance at 1 July 2010		103,771	(21,764)	82,007
Profit for the year		-	8,036	8,036
Total comprehensive income for the year		-	8,036	8,036
Dividends provided for or paid	4	-	(6,462)	(6,462)
Issue of shares	10(b)	4,478	-	4,478
Balance at 30 June 2011		108,249	(20,190)	88,059
			2011	2010
Final Franked dividends per share (cents per share)		4	3.50	3.50
Interim Franked dividends per share (cents per share)		4	3.50	5.00

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
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 paid		25	57
Net cash outflow from operating activities	12(a)	1,386	1,758
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial assets		9,559	250,149
Purchase of financial assets		(8,938)	(163,178)
Net cash inflow from investing activities		621	86,971
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for shares bought back		-	(118,061)
Proceeds from issue of ordinary shares		2,797	-
Dividend paid		(4,781)	(3,441)
Net cash outflow from financing activities		(1,984)	(121,502)
Net increase/(decrease) in cash and cash equivalents		23	(32,773)
Cash and cash equivalents at the beginning of the financial year		129	32,902
Cash and cash equivalents at end of year	12(b)	152	129
Non-cash financing activities	12(d)	1,681	1,004

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

M. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

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.

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 structured 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.

NOTE 2: REVENUES AND EXPENSES

	2011	2010
	\$'000	\$'000
(a) Revenues from continuing operations		
Interest	38	543
Dividends / distributions	4,299	4,546
Fund management fee rebates	341	13
Other income	39	10
	4,717	5,112
(b) Profit from continuing operations has been arrived at after charging the following expenses		
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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

NOTE 3: INCOME TAX

	2011	2010
	\$'000	\$'000
(a) The components of tax expense/(benefit):		
Current tax	(25)	(57)
Deferred tax	-	-
Total income tax expense/(benefit)	(25)	(57)
(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:		
Profit before tax benefit	8,011	18,083
At the statutory income tax rate of 30% (2010: 30%)	2,403	5,425
Tax effect of amounts which are refundable 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	(132)	(5,177)
Income tax benefit	(25)	(57)
(c) Current tax liabilities		
Opening tax liability	-	-
Tax payments	25	57
Adjustments in respect of current income tax of previous years	(25)	(57)
Current tax (asset)/liability	-	-
(d) Deferred tax asset		
Deferred tax assets		
Realised revenue losses	5,508	5,508
Total deferred tax assets	5,508	5,508
Net deferred tax assets	5,508	5,508

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.

NOTE 4: DIVIDENDS

	2011	2010
	\$	\$

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

(a) Declared and paid during the year

Current year interim

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

Previous year final

Final fully franked dividends (3.5 cents per share paid on 22 September 2010) (2010: Nil cents per share)	3,141,953	-
Total dividends declared and paid	6,462,180	4,445,389

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.

(c) 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
	6,872,128	9,184,334

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

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank	143	121
Cash at call	9	8
	152	129

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

NOTE 6: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Fair value	Fair value
	2011	2010
	\$'000	\$'000
Financial assets		
Unlisted trusts	79,430	75,373
	79,430	75,373

NOTE 7: TRADE AND OTHER RECEIVABLES

	2011	2010
	\$'000	\$'000
Current		
Interest receivable	1	100
Dividend / distribution receivable	3,124	1,485
GST receivable	-	2
	3,125	1,497

NOTE 8: OTHER CURRENT ASSETS

	2011	2010
	\$'000	\$'000
Prepayments	31	12
Other	39	69
	70	81

NOTE 9: TRADE AND OTHER PAYABLES

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

* 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.

NOTE 10: CONTRIBUTED EQUITY

	2011	2010	
	\$'000	\$'000	
(a) Issued and paid up capital			
Ordinary shares fully paid	108,249	103,771	
(b) Movements in shares on issue			
Date	Details	No. 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	(530,867)	(404,917)
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	2,435,059	1,681,040
30 June 2011	Balance	96,090,108	108,248,616

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.

NOTE 11: RETAINED EARNINGS

	2011	2010
	\$'000	\$'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	(6,462)	(4,445)
Balance at the end of the financial year	(20,190)	(21,764)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

NOTE 12: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011	2010
	\$'000	\$'000
(a) Reconciliation of net profit after tax to net cash flows from operations		
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	(364)	239
Net cash inflow from operating activities	1,386	1,758
(b) Reconciliation of cash and cash equivalent		
Cash balance comprises		
Cash assets	143	121
Other financial assets - cash management account	9	8
Closing cash balance	152	129

(c) Financing facilities available

At reporting date, Premium Investors Limited did not have any financing facilities available.

(d) Non-cash financing and investing activities

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).

NOTE 13: COMMITMENTS

There are no commitments outstanding.

NOTE 14: EARNINGS PER SHARE

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

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

NOTE 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)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

NOTE 15: RELATED PARTY TRANSACTIONS (cont'd)

(b) Remuneration of Key Management Personnel

Remuneration of Directors

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

(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.

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.

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
2011						
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	62,533	65,117		8,254	5,670	4,288

2010

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	-	62,533		62,533	-	1,386

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

NOTE 16: REMUNERATION OF AUDITORS

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

NOTE 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.

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.

NOTE 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.

NOTE 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.

NOTE 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

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

NOTE 20: FINANCIAL RISK MANAGEMENT (cont'd)

OVERVIEW (cont'd)

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.

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:

NOTE 21: FINANCIAL RISK MANAGEMENT (cont'd)

CURRENCY RISK (cont'd)

	30 June 2011			30 June 2010		
	Financial assets/ (liabilities)	Forward currency contracts	Net currency exposure	Financial assets/ (liabilities)	Forward currency contracts	Net currency exposure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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	88,059	-	88,059	82,007	-	82,007

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

NOTE 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.

NOTE 21: FINANCIAL RISK MANAGEMENT (cont'd)

LIQUIDITY RISK (cont'd)

	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
30 June 2011							
Outstanding settlements payable	-	9	-	-	-	9	-
Sundry creditors and accruals	-	217	-	-	-	217	-
Total non-derivatives	-	226	-	-	-	226	-
30 June 2010							
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.

NOTES TO THE FINANCIAL STATEMENTS (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 2008. The capital structure of the Group consists of cash and cash equivalents and equity attributable to shareholders, comprising issued capital and retained earnings as disclosed in notes 11 and 12 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:

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

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 – 28 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 *Corporations Regulations 2001*; and
- (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 period 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:

	Ordinary shares		Options	
	Number of holders	Number of shares	Number of holders	Number of options
1 – 1,000	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	-	-
	3,794	96,090,108	-	-

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
	18,016,859	18.73

(c) Substantial shareholders

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:

	Market Value (\$)	Percentage %
AUSTRALIAN UNLISTED UNIT TRUSTS		
GVI Global Industrial Share Fund	12,567,358	15.82 %
Orion Australian Share Fund	14,290,221	17.99 %
RARE Infrastructure Value Fund	14,428,521	18.16 %
TAAM New Asia Fund	11,620,184	14.63 %
Investors Mutual Australian Share Fund	20,358,670	25.63 %
Aubrey Global Conviction Fund	2,124,970	2.68 %
Ascot Fund	4,040,319	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.





Premium Investors Limited
www.premiuminvestors.com.au