

FORM: Half yearly/preliminary final report

Name of issuer

PREMIUM INCOME FUND

ACN or ARBN	Half yearly (tick)	Preliminary final (tick)	Half year/ financial year ended (‘Current period’)
090 687 577	✓		31 December 2010

For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

				\$A,000
Revenue (item 1.1)	up/down	%	to	8,063
Profit (loss) for the period (item 1.9)	up/down	%	to	3,631 loss
Profit (loss) for the period attributable to security holders (item 1.11)	up/down	%	to	3,631 loss
Dividends				
Franking rate applicable:				
Final dividend (preliminary final report only) (item 10.13-10.14)		Nil		Nil
Amount per security		Nil		Nil
Franked amount per security		Nil		Nil
Interim dividend (Half yearly report only) (item 10.11-10.12)				
Amount per security		Nil		Nil
Franked amount per security		Nil		Nil
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
Nil				

Consolidated income statement *(The figures are not equity accounted)**(see note 3)**(as per paragraphs 81-85 and 88-94 of AASB 101: Presentation of Financial Statements)*

	Current period - \$A'000	Previous corresponding period - \$A'000
	31 December 2010	31 December 2009
1.1 Revenues <i>(item 7.1)</i>	8,063	(33,972)
1.2 Expenses, excluding finance costs <i>(item 7.2)</i>	11,694	1,043
1.3 Finance costs	-	-
1.4 Share of net profits (losses) of associates and joint ventures <i>(item 15.7)</i>	-	-
1.5 Profit (loss) before income tax	(3,631)	(35,015)
1.6 Income tax expense <i>(see note 4)</i>	-	-
1.7 Profit (loss) from continuing operations	-	-
1.8 Profit (loss) from discontinued operations <i>(item 13.3)</i>	-	-
1.9 Profit (Loss) for the period	(3,631)	(35,015)
1.10 Profit (loss) attributable to minority interests	(177)	-
1.11 Profit (loss) attributable to members of the parent	(3,454)	(35,015)
1.12 Basic earnings per security <i>(item 9.1)</i>	Loss 0.01 cpu	Loss 0.05 cpu
1.13 Diluted earnings per security <i>(item 9.1)</i>	Loss 0.01 cpu	Loss 0.05 cpu
1.14 Distribution per security <i>(item 9.1)</i>	1.0 cpu	Nil

Comparison of half-year profits*(Preliminary final statement only)*

	Current period - \$A'000	Previous corresponding period - \$A'000
	(31 December 2010)	(31 December 2009)
2.1 Consolidated profit (loss) after tax attributable to members reported for the 1 st half year <i>(item 1.11 in the half yearly statement)</i>	(3,631)	(35,015)
2.2 Consolidated profit (loss) after tax attributable to members for the 2nd half year	-	-

Consolidated balance sheet

(See note 5)

(as per paragraphs 68-69 of AASB 101: Financial Statement Presentation)

Current assets		Current period - \$A'000	Previous corresponding period - \$A'000
		31 December 2010	30 June 2010
3.1	Cash and cash equivalents	5,950	12,358
3.2	Trade and other receivables	4,861	5,321
3.3	Inventories	31,853	38,642
3.4	Financial assets held at fair value through profit or loss	7,268	8,278
3.5	Mortgage loans	148,202	149,006
3.6	Other financial assets	57,376	57,375
3.7	Total current assets	255,510	270,980
3.8	Total assets	255,510	270,880
Current Liabilities			
3.9	Trade and other payables	2,189	5,678
3.10	Short term borrowings	-	-
3.11	Total current liabilities	2,189	5,678
3.12	Total liabilities	2,189	5,678
3.13	Net assets	253,321	265,302
Equity			
3.14	Share capital	326,790	334,340
3.15	Other reserves		
3.16	Retained earnings	(76,975)	(73,521)
Amounts recognised directly in equity relating to non-current assets classified as held for sale			
3.17	Parent interest	249,815	260,819
3.18	Minority interest	3,506	4,483
3.19	Total equity	253,321	265,302

Consolidated statement of changes in equity

(as per paragraphs 96-97 of AASB 101: Presentation of Financial Statements)

		Current period – A\$'000	Previous corresponding period – A\$'000
		31 December 2010	30 June 2010
	Revenues recognised directly in equity:	-	-
	Expenses recognised directly in equity:	-	-
4.1	Net income recognised directly in equity	-	-
4.2	Profit for the period	(3,631)	(35,015)
4.3	Total recognised income and expense for the period	(3,631)	(35,015)
	Attributable to:		
4.4	Members of the parent	(3,454)	(35,015)
4.5	Minority interest	(177)	-
	Effect of changes in accounting policy (as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors):		
4.6	Members of the parent entity	-	-
4.7	Minority interest	-	-

Consolidated statement of cash flows

(See note 6)

(as per AASB 107: Cash Flow Statements)

		Current period - \$A'000	Previous corresponding period - \$A'000
		31 December 2010	31 December 2009
Cash flows related to operating activities			
5.1	Interest, fees and investment income	2,336	1,600
5.2	Other cash payments in the course of business	(605)	(1,717)
5.3	Gross proceeds from property sales	6,739	-
5.4	Costs and payments to suppliers of properties sold	(5,180)	-
5.5	Other (provide details if material)	-	-
5.6	Net cash used in operating activities	3,290	(117)
Cash flows related to investing activities			
5.7	Mortgage loan advances	(5,459)	(1,639)
5.8	Mortgage loan repayments	4,111	5,912
5.9	Payment for purchases of equity investments	-	-
5.10	Proceeds from sale of equity investments	-	-
5.11	Loans to other entities	-	-
5.12	Loans repaid by other entities	-	-
5.13	Interest and other items of similar nature received	-	-
5.14	Dividends received	-	-
5.15	Other (provide details if material)	-	-
5.16	Net cash used in investing activities	(1,348)	4,273
Cash flows related to financing activities			
5.17	Proceeds from issues of securities (shares, options, etc.)	-	-
5.18	Proceeds from borrowings	-	-
5.19	Repayment of borrowings	-	-
5.20	Dividends paid	(7,550)	-
5.21	Distributions paid to non-controlling interest	(800)	-
5.22	Net cash used in financing activities	(8,350)	-
Net increase (decrease) in cash and cash equivalents		(6,408)	4,156
5.23	Cash at beginning of period (see <i>Reconciliations of cash</i>)	12,358	445
5.24	Exchange rate adjustments to item 5.23	-	-
5.25	Cash at end of period (see <i>Reconciliation of cash</i>)	5,950	4,601

Reconciliation of cash provided by operating activities to profit or loss

(as per paragraph Aus20.1 of AASB 107: Cash Flow Statements)

		Current period \$A'000	Previous corresponding period \$A'000
		31 December 2010	31 December 2009
6.1	Profit <i>(item 1.9)</i>	(3,631)	(35,015)
	Adjustments for:		
6.2	Net unrealised (gain)/loss on financial instruments designated at fair value through profit or loss	52	(309)
6.3	Net realised (gain)/loss on realisation of mortgage loans	(2,118)	18,667
6.4	Net realised (gain)/loss on disposal of other financial assets	(225)	6,600
6.5	Increase/(decrease) in receivables	(460)	611
6.6	(Increase)/decrease in payables	3,489	3,016
6.7	(Increase)/decrease in prepayments	-	-
6.8	Impairment of loans and other financial assets	535	6,313
6.9	Net unrealised (gain)/loss on mortgage loans	5,648	-
6.10	Net cash from operating activities <i>(item 5.6)</i>	3,290	(117)

Notes to the financial statements

Details of revenues and expenses

(see note 16)

(Where items of income and expense are material, disclose nature and amount below in accordance with paragraphs 86-87 of AASB 101: Presentation of Financial Statements)

		Current period - \$A'000	Previous corresponding period - \$A'000
		31 December 2010	31 December 2009
Revenue			
	Development and construction revenue	8,789	-
	Interest income	1,916	1,097
	Net gain/(loss) on financial instruments designated as at fair value through Profit and Loss	(52)	309
	Net gain/(loss) on other financial assets	(310)	(12,852)
	Net gain/(loss) on mortgage loans	(2,800)	(23,029)
	Investment income	34	-
	Other operating income	486	503
7.1	Total Revenue	8,063	(33,972)
Expenses			
	Cost of development, construction and property sales	11,041	-
	Responsible entity's fees	-	-
	Custodian and registry fees	249	271
	Fees and commissions expense	41	-
	Auditor's remuneration	45	26
	Consulting, compliance, accounting and legal fees	217	464
	Insurance	25	133
	Stock Exchange listing	17	17
	Other direct fund expenses	59	132
7.2	Total expenses	11,694	1,043
	Profit (loss) before tax	(3,631)	(35,015)

Ratios

		Current period	Previous corresponding period
		31 December 2010	31 December 2009
Profit before tax / revenue			
8.1	Consolidated profit (loss) before tax (<i>item 1.5</i>) as a percentage of revenue (<i>item 1.1</i>)	-45.0%	na
Profit after tax / equity interests			
8.2	Consolidated profit (loss) after tax attributable to security holders (<i>item 1.11</i>) as a percentage of equity (similarly attributable) at the end of the period (<i>item 3.37</i>)	na	na

Earnings per Security

- 9.1 Provide details of basic and fully diluted EPS in accordance with paragraph 70 and Aus 70.1 of AASB 133: Earnings per Share below:

	31 December 2010	31 December 2009
Net profit used in calculating basic and diluted earnings per unit (\$000's)	(3,631)	(35,015)
The weighted average number of units used in calculating basic earnings per unit (000's)	755,033	755,033
The weighted average number of potential ordinary units included in calculating diluted earnings per unit (000's)	-	-
The weighted average number of ordinary units and potential ordinary units used in calculating diluted earnings per unit (000's)	755,033	755,033

Dividends

- 10.1 Date the dividend is payable/paid

-

- 10.2 Record date to determine entitlements to the dividend (i.e. on the basis of registrable transfers received up to 5.00 pm if paper based, or by 'End of Day' if a proper ASTC/CHESS transfer)

-

- 10.3 If it is a final dividend, has it been declared?

(Preliminary final report only)

- 10.4 The *dividend or distribution plans* shown below are in operation.

A one cent per unit cash payment was made 29 October 2010. Any further cash payments will be paid only when directors believe cashflow permits.

The last date(s) for receipt of election notices to the *dividend or distribution plans*

-

- 10.5 Any other disclosures in relation to *dividends or distributions*

Nil

Distributions paid or provided for on all securities*(as per paragraph Aus126.4 AASB 101: Presentation of Financial Statements)*

	Current period - \$A'000	Previous corresponding period - \$A'000	Franking rate applicable
Dividends paid or provided for during the reporting period			
10.6 Current year interim	-	-	-
10.7 Franked dividends	-	-	-
10.8 Previous year final	-	-	-
10.9 Franked dividends	-	-	-
Dividends proposed and not recognised as a liability	-	-	-
10.10 Franked dividends	-	-	-

Dividends per security*(as per paragraph Aus126.4 of AASB 101: Presentation of Financial Statements)*

	Current year	Previous year	Franking rate applicable
Distributions paid or provided for during the reporting period			
10.11 Current year interim – cents per unit	-	-	-
10.12 Franked dividends – cents per share	-	-	-
10.13 Previous year final	-	-	-
10.14 Franked dividends – cents per share	-	-	-
Dividends proposed and not recognised as a liability	-	-	-
10.15 Franked dividends – cents per share	-	-	-

Exploration and evaluation expenditure capitalised

To be completed only by issuers with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit.

	Current period – A\$'000	Previous corresponding period – A\$'000
11.1 Opening balance	-	-
11.2 Expenditure incurred during current period	-	-
11.3 Expenditure written off during current period	-	-
11.4 Acquisitions, disposals, revaluation increments, etc.	-	-
11.5 Expenditure transferred to Development Properties	-	-
11.6 Closing balance as shown in the consolidated balance sheet (item 3.10)	-	-

Development properties

(To be completed only by issuers with mining interests if amounts are material)

	Current period – A\$'000	Previous corresponding period – A\$'000
12.1 Opening balance	-	-
12.2 Expenditure incurred during current period	-	-
12.3 Expenditure transferred from exploration and evaluation	-	-
12.4 Expenditure written off during current period	-	-
12.5 Acquisitions, disposals, revaluation increments, etc.	-	-
12.6 Expenditure transferred to mine properties	-	-
12.7 Closing balance as shown in the consolidated balance sheet (item 3.11)	-	-

Discontinued Operations

(see note 18)

(as per paragraph 33 of AASB 5: Non-current Assets Held for Sale and Discontinued Operations)

	Current period – A\$'000	Previous corresponding period – A\$'000
13.1 Revenue	-	-
13.2 Expense	-	-
13.3 Profit (loss) from discontinued operations before income tax	-	-
13.4 Income tax expense <i>(as per para 81 (h) of AASB 112)</i>	-	-
13.5 Gain (loss) on sale/disposal of discontinued operations	-	-
13.6 Income tax expense <i>(as per paragraph 81(h) of AASB 112)</i>	-	-

Movements in Equity

(as per paragraph 97 of AASB 101: Financial Statement Presentation)

		Number issued	Number listed	Paid-up value (cents)	Current period – A\$'000	Previous corresponding period – A\$'000
14.1	Preference securities (description)					
14.2	Balance at start of period	-	-	-	-	-
14.3	a) Increases through issues	-	-	-	-	-
14.4	b) Decreases through returns of capital, buybacks etc.	-	-	-	-	-
14.5	Balance at end of period	-	-	-	-	-
14.6	Ordinary Securities (description)					
14.7	Balance at start of period	755,033	755,033	100	755,033	755,033
14.8	a) Increases through issues	-	-	-	-	-
14.9	b) Decreases through returns of capital, buybacks etc.	-	-	-	-	-
14.10	Balance at end of period	755,033	755,033	100	755,033	755,033
14.11	Convertible Debt Securities (description & conversion factor)					
14.12	Balance at start of period	-	-	-	-	-
14.13	a) Increases through issues	-	-	-	-	-
14.14	b) Decreases through maturity, converted	-	-	-	-	-
14.15	Balance at end of period	-	-	-	-	-

	Number issued	Number listed	Paid-up value (cents)	Current period – A\$'000	Previous corresponding period – A\$'000
14.16 Options <i>(description & conversion factor)</i>					
14.17 Balance at start of period	-	-	-	-	-
14.18 Issued during period	-	-	-	-	-
14.19 Exercised during period	-	-	-	-	-
14.20 Expired during period	-	-	-	-	-
14.21 Balance at end of period	-	-	-	-	-
14.22 Debentures <i>(description)</i>					
14.23 Balance at start of period	-	-	-	-	-
14.24 a) Increases through issues	-	-	-	-	-
14.25 b) Decreases through maturity, converted	-	-	-	-	-
14.26 Balance at end of period	-	-	-	-	-
14.27 Unsecured Notes <i>(description)</i>					
14.28 Balance at start of period	-	-	-	-	-
14.29 a) Increases through issues	-	-	-	-	-
14.30 b) Decreases through maturity, converted	-	-	-	-	-
14.31 Balance at end of period	-	-	-	-	-
14.32 Total Securities	755,033	755,033	100	755,033	755,033

		Current period – A\$'000	Previous corresponding period – A\$'000
Reserves			
14.33	Balance at start of period	-	-
14.34	Transfers to/from reserves	-	-
14.35	Total for the period	-	-
14.36	Balance at end of period	-	-
14.37	Total reserves	-	-
Retained earnings			
14.38	Balance at start of period	(69,038)	(37,989)
14.39	Changes in accounting policy	-	-
14.40	Restated balance	-	-
14.41	Loss for the balance	(3,631)	(31,215)
14.42	Total for the period	(72,669)	(69,204)
14.43	Distributions	(800)	-
14.44	Balance at end of period	(73,469)	(69,204)

Details of aggregate share of profits (losses) of associates and joint venture entities*(equity method)**(as per paragraph Aus 37.1 of AASB 128: Investments in Associates and paragraph Aus 57.3 of AASB 131: Interests in Joint Ventures)*

Name of associate or joint venture entity

Harbour Street Development Trust

Reporting entities percentage holding

90%

		Current period - \$A'000	Previous corresponding period - \$A'000
15.1	Profit (loss) before income tax	(1,592)	-
15.2	Income tax	-	-
15.3	Profit (loss) after tax	(1,592)	-
15.4	Impairment losses	-	-
15.5	Reversals of impairment losses	-	-
15.6	Share of non-capital expenditure contracted for (excluding the supply of inventories)	-	-
15.7	Share of net profit (loss) of associates and joint venture entities	(1,592)	-

Control gained over entities having material effect*(See note 8)*16.1 Name of *issuer* (or *group*)

na

16.2 Consolidated profit (loss) after tax of the *issuer* (or *group*) since
the date in the current period on which control was acquired

\$A'000

-

16.3 Date from which profit (loss) in *item 16.2* has been calculated

-

16.4 Profit (loss) after tax of the *issuer* (or *group*) for the whole of the
previous corresponding period

-

Loss of control of entities having material effect*(See note 8)*17.1 Name of *issuer* (or *group*)

na

\$A'000

17.2 Consolidated profit (loss) after tax of the entity (or *group*) for the current period to the date of loss of control

-

17.3 Date from which the profit (loss) in *item 17.2* has been calculated

-

17.4 Consolidated profit (loss) after tax of the entity (or *group*) while controlled during the whole of the previous corresponding period

-

17.5 Contribution to consolidated profit (loss) from sale of interest leading to loss of control

-

Material interests in entities which are not controlled entities*The economic entity has an interest (that is material to it) in the following entities.*

		Percentage of ownership interest (ordinary securities, units etc) held at end of period or date of disposal		Contribution to profit (loss) (<i>item 1.9</i>)	
18.1	Equity accounted associated entities	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period \$A'000
				<i>Equity accounted</i>	
		-	-	-	-
18.2	Total	-	-	-	-
18.3	Other material interests	-	-	Non equity accounted (i.e. part of <i>item 1.9</i>)	
				-	-
18.4	Total	-	-	-	-

Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 114: Segment Reporting. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this statement. However, the following is the personation adopted in the Appendices to AASB 114 and indicates which amount should agree with items included elsewhere in this statement.

		Current period – A\$'000	Previous corresponding period – A\$'000
	Segments		
	Revenue:		
19.1	External sales	-	-
19.2	Inter-segment sales	-	-
19.3	Total (consolidated total equal to item 1.1)	-	-
19.4	Segment result	-	-
19.5	Unallocated expenses	-	-
19.6	Operating profit (equal to item 1.5)	-	-
19.7	Interest expense	-	-
19.8	Interest income	-	-
19.9	Share of profits of associates	-	-
19.10	Income tax expense	-	-
19.11	Net profit (consolidated total equal to item 1.9)	-	-
	Other information	-	-
19.12	Segment assets	-	-
19.13	Investments in equity method associates	-	-
19.14	Unallocated assets	-	-
19.15	Total assets (equal to item 3.18)	-	-
19.16	Segment liabilities	-	-
19.17	Unallocated liabilities	-	-
19.18	Total liabilities (equal to item 3.32)	-	-
19.19	Capital expenditure	-	-
19.20	Depreciation	-	-
19.21	Other non-cash expenses	-	-

The Fund operates solely in the business segment of investment management within Australia. All directly held assets are predominantly Australian but some of these assets may hold overseas assets. The Fund also invests in certain securities which are listed both on the Australian and international stock exchanges.

The Fund has applied AASB of Operating Segments.

NTA Backing

(see note 7)

20.1	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.34	\$0.35

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

21.1	NA
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International Financial Reporting Standards

Under paragraph 39 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, an entity's first Australian-equivalents-to-IFRS's financial report shall include reconciliations of its equity and profit or loss under previous GAAP to its equity and profit or loss under Australian equivalents to IFRS's. See IG63 in the appendix to AASB 1 for guidance.

22.1	NA
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Under paragraph 4.2 of AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, an entity must disclose any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRSs or if the aforementioned impacts are not known or reliably estimable, a statement to that effect.

22.2	NA
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Comments by directors

Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 134: Interim Financial Reporting. The comments do not take the place of the directors' report and statement⁶ (as required by the Corporations Act) but may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.

Basis of accounts preparation

If this statement is a half yearly statement, it is a general purpose financial report prepared in accordance with the listing rules and AASB 134: Interim Financial Reporting. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period. This report does not include all notes of the type normally included in an annual financial report. [Delete if inapplicable.]

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible). In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations (as per paragraphs 16(b), 16(b) and Aus 16.1 of AASB 134: Interim Financial Reporting)

NA

Any other factors which have affected the results in the period, or which are likely to affect results in the future, including those where the effect could not be quantified.

NA

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

NA

Changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

(Disclose changes in the half yearly statement in accordance with paragraph 16(a) of AASB 134: Interim Financial Reporting. Disclose changes in the preliminary final statement in accordance with paragraphs 28-29 of 108: Accounting Policies, Changes in Accounting Estimates and Errors.)

Nil

An issuer shall explain how the transition from previous GAAP to Australian equivalents to IFRS' affected its reported financial position, financial performance and cash flows. (as per paragraph 38 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards)

NA

Revisions in estimates of amounts reported in previous periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year (as per paragraph 16(d) of AASB 134: Interim Financial Reporting)

NA

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assts since the last annual report (as per paragraph 16(j) of AASB 134: Interim Financial Reporting)

NA

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence (as per paragraph 16(c) of AASB 134: Interim Financial Reporting)

NA

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations (as per paragraph 16(i) of AASB 134: Interim Financial Reporting)

NA

Annual meeting*(Preliminary final statement only)*

The annual meeting will be held as follows:

Place

na

Date

na

Time

na

Approximate date the annual report will be available

na


Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

na

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does/~~does not~~* (*delete one*) give a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:
- ☐ The financial statements have been audited. ☒ The financial statements have been subject to review by a registered auditor (or overseas equivalent).
- ☐ The financial statements are in the process of being audited or subject to review. ☐ The financial statements have *not* yet been audited or reviewed.
5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/*will follow immediately they are available** (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)
6. The issuer has/~~does not have~~* (*delete one*) a formally constituted audit committee.

Sign here:  Date: 8-3-11
(Chief Financial Officer / ~~Director/Company secretary~~)

Print name: ..TED SAVAGE



Wellington

Half Year Financial Report

Premium Income Fund

ARSN 090 687 577

for the half-year ended 31 December 2010

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This financial report covers the Premium Income Fund as a consolidated entity.

The responsible entity of the Premium Income Fund is Wellington Capital Limited ACN 114 248 458. The responsible entity's registered office is Level 22, 307 Queen Street, Brisbane, Queensland, 4000.

This half-year financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made in respect of the Premium Income Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.



Directors' Report

The directors of Wellington Capital Limited, the responsible entity of the Premium Income Fund, present their report together with the consolidated financial report of the Premium Income Fund ('the Fund') for the half-year ended 31 December 2010.

Responsible entity

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

Principal activities

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

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

The Fund did not have any employees during the year (2009: nil).

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

Directors

The names of the Directors of Wellington Capital Limited during the half-year and until the date of this report are:

- Jennifer Hutson
- Robert Pitt
- Mary-Anne Greaves

Review and results of operations

The Fund continued to suffer the effects of severely affected valuation and recoverability issues of the Fund's underlying security assets as in previous financial years. Difficulties experienced by borrowers in obtaining refinance facilities and the inability to realise adequate asset values have continued.

The sale of apartments within the property located at Wollongong achieved a positive outcome for the asset. The Premium Income Fund has retained control of the hotel component of the complex post completion. The hotel is managed by the Constellation Group under its Chifley brand and commenced operation on 1 September 2010.

The Official Liquidators to Octaviar Limited (In Liquidation) and Octaviar Administration Pty Ltd (In Liquidation) continue to undertake public examination of the relevant officers of those companies during the period. It is unknown what the effect of the Liquidators' investigations will have in relation to any potential recovery by the Premium Income Fund. However, the directors consider it unlikely that there will be any significant recovery from either entity and no allowance has been made in the financial statements for any potential recovery. It is the intention of the directors to continue to actively pursue these claims on behalf of unitholders until all avenues for recovery have been exhausted, including ensuring appropriate proofs of debt are lodged with the Liquidators.

Consolidated results

The performance of the Fund, as represented by the consolidated results of its operations and reported in the Consolidated Statement of Comprehensive Income, was as follows:



	Half-year to 31 December 2010 \$000's	Half-year to 31 December 2009 \$000's
Net loss for the half year	(3,631)	(35,015)
Cash payments:		
Cash paid	7,550	-
Cash payment (cents per unit)	1.0	-

On 29 October 2010, the Fund made a one cent per unit cash payment.

Material changes in the state of affairs

The Fund was unable to reduce significantly its investment in equity and debt instruments and mortgage loans during the period ended 31 December 2010.

The asset allocation of the Fund was as follows:

	As at 31 December 2010	As at 30 June 2010
Mortgage Loans	71.5%	70.1%
Management Investment Schemes	1.5%	1.7%
Alternative Investments	22.8%	21.4%
Cash Investments	2.8%	5.4%
Fixed Interest Investments	1.4%	1.4%

Due to the reduction in the assessed fair value of the Fund's investment portfolio, these asset allocations are outside the target allocation guidelines contained in the Product Disclosure Statement which was issued on 2 July 2007 ('PDS'). The definitions of each of the above asset categories are set out in the PDS.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Jennifer Hutson.

Interests of the responsible entity

Neither the responsible entity, nor any of its associates, held any interests in the Fund during, or since, the end of the financial period.

Matters subsequent to the end of the financial period

Since the end of the financial period, no circumstances have arisen which have materially affected, or which may materially affect, the operations of the entity, the results of those operations or the state of affairs of the entity in future periods.



Indemnification and insurance of officers and auditors

No insurance premiums were paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Wellington Capital Limited or the auditors of the Fund. So long as the officers of Wellington Capital Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Responsible entity's remuneration

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

Environmental regulation

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

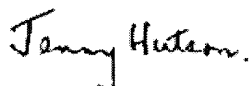
Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities & Investments Commission relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is included in this Financial Report.

Signed in accordance with a resolution of the Directors of Wellington Capital Limited.



Jenny Hutson
Director



Robert Pitt
Director

Brisbane
4 March 2011



Auditors Independence Declaration



Auditor's Independence Declaration

As lead auditor for the review of the Premium Income Fund for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of the Premium Income Fund and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Timothy J Allman'.

Timothy J Allman

Partner

Brisbane

4 March 2011

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Consolidated Statement of Comprehensive Income

For the Half-Year Ended 31 December 2010

	Half-year ended	
	31 December 2010 \$000's	31 December 2009 \$000's
REVENUE FROM CONTINUING OPERATIONS		
Development and construction revenue	8,789	-
Interest income	1,916	1,097
Revenue from continuing operations	10,705	1,097
INVESTMENT INCOME		
Net gain/(loss) on financial instruments designated as at fair value through profit or loss	(52)	309
Net gain/(loss) on other financial assets	(310)	(12,852)
Net gain/(loss) on mortgage loans	(2,800)	(23,029)
Investment income	34	-
Other operating income	486	503
Total revenues and investment income / (loss)	8,063	(33,972)
EXPENSES		
Cost of development, construction and property sales	11,041	-
Responsible entity's fees	-	-
Custodian and registry fees	249	271
Fees and commission expense	41	-
Auditor's remuneration	45	26
Finance costs	-	-
Consulting, compliance, accounting and legal fees	217	464
Insurance	25	133
Stock exchange listing fees	17	17
Other direct Fund expenses	59	132
Total expenses	11,694	1,043
NET LOSS FOR THE HALF YEAR	(3,631)	(35,015)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS)	(3,631)	(35,015)
Profit attributable to:		
Unitholders	(3,454)	(35,015)
Non-controlling interest	(177)	-
	(3,631)	(35,015)

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



Consolidated Balance Sheet

As at 31 December 2010

	Note	31 December 2010 \$000's	30 June 2010 \$000's
ASSETS			
Cash and cash equivalents		5,950	12,358
Other financial assets	6	57,376	57,375
Receivables	7	4,861	5,321
Financial assets held at fair value through profit or loss	9	7,268	8,278
Inventory	8	31,853	38,642
Mortgage loans	10	148,202	149,006
TOTAL ASSETS		255,510	270,980
LIABILITIES			
Payables	11	2,189	5,678
TOTAL LIABILITIES		2,189	5,678
NET ASSETS		253,321	265,302
EQUITY			
Contributed equity	4	326,790	334,340
Retained losses	4	(76,975)	(73,521)
		249,815	260,819
Non-controlling interest	12	3,506	4,483
TOTAL EQUITY		253,321	265,302

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

Capital risk management

The Fund considers its contributed equity as capital. There are no externally imposed capital requirements.



Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2010

	Half-year ended	
	31 December 2010 \$000's	31 December 2009 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest, fees and investment income received	2,336	1,600
Gross proceeds from property sales	6,739	-
Costs and payments to suppliers of properties sold	(5,180)	-
Other cash payments in the course of business	(605)	(1,717)
Net cash inflow/(outflow) from operating activities	3,290	(117)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage loan advances	(5,459)	(1,639)
Mortgage loan repayments	4,111	5,912
Redemptions / (Purchase) of investments in managed investment schemes	-	-
Other investments purchased	-	-
Other investments sold	-	-
Net cash inflow/(outflow) from investing activities	(1,348)	4,273
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for hardship claims by Unitholders	-	-
Cash payment to Unitholders	(7,550)	-
Cash payments to non-controlling interest	(800)	-
Repayment of borrowings and borrowing costs	-	-
Net cash outflow from financing activities	(8,350)	-
Net increase/(decrease) in cash and cash equivalents	(6,408)	4,156
Cash equivalents at the beginning of the period	12,358	445
CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	5,950	4,601

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

	Issued Capital \$000's	Retained Earnings \$000's	Non- controlling Entity \$000's	Total \$000's
HALF-YEAR ENDED 31 DECEMBER 2010				
Balance at the beginning of the period	334,340	(73,521)	4,483	265,302
Net loss for the period	-	(3,454)	(177)	(3,631)
Non-controlling Interest	-	-	-	-
Cash payments to Unitholders	(7,550)	-	(800)	(8,350)
Balance at the end of the period	326,790	(76,975)	3,506	253,321
HALF-YEAR ENDED 31 DECEMBER 2009				
Balance at the beginning of the period	334,340	(37,989)	-	298,351
Net loss for the period	-	(35,015)	-	(35,015)
Non-controlling Interest		3,800	-	3,800
Cash payments to Unitholders	-	-	-	-
Balance at the end of the period	334,340	(69,204)	-	265,136

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



Notes to the Financial Statements

For the Half-Year Ended 31 December 2010

NOTE 1. CORPORATE INFORMATION

This financial report covers the Premium Income Fund (the 'Fund') as a consolidated entity. The Fund was constituted on 22 December 1999 and is a listed registered managed investment scheme.

The responsible entity of the Fund is Wellington Capital Limited. The responsible entity's registered office is Level 22, 307 Queen Street, Brisbane, Qld, 4000.

The financial report for the half year ended 31 December 2010 was authorised for issue by the Directors on 4 March 2011.

NOTE 2. STATEMENT OF COMPLIANCE

The half-year financial report of the Fund complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

NOTE 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose financial report for the half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all notes of the type normally included within the annual financial report. Therefore, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made during the interim reporting period in accordance with continuous disclosure requirement of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial period and corresponding interim reporting period.

The Fund is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

On 16 October 2008 the Fund was listed on the National Stock Exchange. From that date and in accordance with AASB 132 *Financial Instruments: Disclosure and Presentation*, Unitholders' funds have been reclassified from liabilities to equity in the Balance Sheet. Full details of the movement in equity are set out in the Statement of Changes in Equity.

The financial report is presented in Australian currency.

(b) Going concern

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

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

After taking into account all available information, the directors have concluded that there are reasonable grounds to believe the Fund will be able to pay its obligations as and when they fall due and payable and continue in operation without any intention, or necessity, to liquidate or otherwise wind up its operations. As such, the interim financial report has been prepared on a going concern basis.



Notes to the Financial Statements (continued)

For the Half-Year Ended 31 December 2010

(c) Critical accounting estimate – uncertainty around property valuations on mortgage loans

The global market for many types of real estate has been severely affected by the ongoing volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have transferred into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

Fair value of underlying security for mortgage loans – in default or mortgagee in possession – is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. The current lack of comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty in regard to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be significantly prolonged.

The fair value of the underlying security for mortgage loans – in default or mortgagee in possession – has been adjusted to reflect market conditions at the end of the reporting period. Whilst this represents the best estimates of fair value as at the Balance Sheet date, the current market uncertainty means that if a property is sold in future, the price achieved may vary from the fair value recorded in the financial statements.

(d) Principles of consolidation

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

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

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

(e) Controlled entity

The parent entity has a 90% interest at period end in a Trust, which is resident in Australia and the principle activity is the development of investment properties.

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

(f) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance has been identified as Jennifer Hutson.

(g) Inventories

Security taken from mortgage loans is classified as inventory when the security is held for resale or development. Land held for resale is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale. Costs comprises direct material, direct labour and, as appropriate, a proportion of variable and fixed overhead expenditure.



Notes to the Financial Statements (continued)

For the Half-Year Ended 31 December 2010

(h) Change in accounting policies

The accounting policies and methods of computation are consistent with those of the most recent annual financial report.

In December 2009, the AASB issued AASB 9 *Financial Instruments* which addresses the classification and measurement of financial assets and is likely to impact the accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Fund is yet to assess its full impact.

(i) Cash and Cash Equivalents

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

(j) Revenue recognition

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

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

(k) Expenses

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

(l) Income Tax

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

(m) Goods & Services Tax (GST)

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



Notes to the Financial Statements (continued)

For the Half-Year Ended 31 December 2010

NOTE 4. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

NOTE 5. CASH PAYMENTS TO UNITHOLDERS

On 29 October 2010, a one cent per unit cash payment was paid. Further, the controlled entity of the Premium Income Fund made a cash payment to the non-controlling interest entity.

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

NOTE 6. OTHER FINANCIAL ASSETS

	31 December 2010 \$000's	30 June 2010 \$000's
Asset backed investments	207,040	206,729
Provision for impairment	(149,664)	(149,354)
Written down value of asset backed investments	57,376	57,375

Reconciliation of Provision for Impairment – Other financial assets

	31 December 2010 \$000's	30 June 2010 \$000's
Balance at the beginning of the financial period	149,354	149,771
Net gain / (loss) on other financial assets	535	8,801
Impairment provision reversed during the period	(225)	(9,218)
Balance at the end of the financial period	149,664	149,354

The Fund principally invests in two forms of asset backed investments:

- Secured debt facilities; and
- Direct equity investments for capital growth.

Asset backed investments are generally limited to investments that are secured debt facilities of a commercial nature possessing a character closely approximating that of a commercial loan portfolio.

NOTE 7. RECEIVABLES

	31 December 2010 \$000's	30 June 2010 \$000's
Trade receivables	110	-
Other Debtors	4,751	5,321
	4,861	5,321



Notes to the Financial Statements (continued)

For the Half-Year Ended 31 December 2010

NOTE 8. INVENTORY

Inventory consists of finished goods that is actively being marketed for sale and is valued at the lower of cost and net realisable value.

Finished goods valued at cost

31 December 2010 \$000's	30 June 2010 \$000's
31,853	38,642

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

Equity securities

Fixed interest securities

31 December 2010 \$000's	30 June 2010 \$000's
3,673	4,598
3,595	3,680
7,268	8,278

NOTE 10. MORTGAGE LOANS

Mortgage loans – non-performing

Provision for impairment

Written down value of mortgage loans

31 December 2010 \$000's	30 June 2010 \$000's
206,438	204,442
(58,236)	(55,436)
148,202	149,006

All mortgage loans are secured by registered mortgages. The recoverability of mortgage loans or their potential refinance with other lenders, has been unfavourably affected by the tightening in global credit markets and a general decline in property valuations across Australia.

With the assistance of independent advisors, the directors have made an assessment of each mortgage loan to determine the likelihood of recovery and the extent of any possible impairment in the value of these investments. Where, in the opinion of the directors, an asset's value is impaired, the asset has been written down to the director's assessment of its fair value.

Assets are classified as mortgage loans in default or mortgagee in possession when the Fund has issued default notices to the borrower under the terms of the lending arrangements. These mortgage loans are carried at the present value of future cash flows expected to flow to the Fund on realisation and take into account:

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



Notes to the Financial Statements (continued)

For the Half-Year Ended 31 December 2010

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

Reconciliation of Provision for impairment – Mortgage loans

	31 December 2010 \$000's	30 June 2010 \$000's
Balance at the beginning of the financial period	55,436	63,538
Provision for impairment recognised during the period	4,918	27,336
Loss on Assets realised during the period	(2,118)	(35,438)
Balance at the end of the financial period	58,236	55,436

NOTE 11. PAYABLES

	31 December 2010 \$000's	30 June 2010 \$000's
Trade payables	634	1,385
Accrued expenses	1,115	1,187
GST payable	440	3,106
	2,189	5,678

NOTE 12. NON-CONTROLLING INTEREST

	31 December 2010 \$000's	30 June 2010 \$000's
Contributed Equity	3,800	3,800
Net profit / loss	906	1,083
Cash payments	(1,200)	(400)
Non-controlling interest	3,506	4,483

NOTE 13. RELATED PARTY TRANSACTIONS

Responsible entity

The responsible entity is Wellington Capital Limited.

Custodian

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



Notes to the Financial Statements (continued)

For the Half-Year Ended 31 December 2010

Registry

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

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

Registry services were previously provided to the Fund by way of sub-contract to Computershare Investor Services Limited. Those services are now provided by way of sub-contract to Armstrong Registry Services Limited effective from 26 April 2010.

Armstrong Registry Services Limited is an unlisted public company, owned two-thirds by a private company controlled by Jennifer Hutson, Managing Director of Wellington Capital Limited, and owned one-third by Print Mail Logistics Limited. The costs of the services from 1 July 2010 to 31 December 2010 was \$227,700 (2009: \$ 282,692.89), which is a cost reduction to the Fund of \$54,992.89 when compared to the previous corresponding period.

The services provided by Armstrong Registry Services Limited to the Fund are provided on an arms-length basis on normal commercial terms and conditions, not more favourable than those that would have been adopted if dealing with an unrelated registry services provider.

The following table provides the total amount of transactions that were entered into with related parties for the half-year ended 31 December 2010.

Related party	Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	Half-year ended 31 December		As at 31 December		As at 31 December	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Responsible entity – Wellington Capital Limited: Management fees	-	-	-	-	-	-
Associate – Armstrong Registry Services Limited: Registry Fees	227,700	-	-	-	-	-

NOTE 14. CONTINGENT ASSETS AND LIABILITIES

Apart from matters specifically mentioned in this report the Fund does not have any contingent assets, liabilities or commitments.

NOTE 15. EVENTS OCCURRING AFTER BALANCE DATE

Since 31 December 2010 there has not been any matter, event or circumstance not otherwise dealt with in the financial report that has materially affected or may materially affect the Fund.



Directors' Declaration

In accordance with a resolution of the Directors of Wellington Capital Limited, we state that:

In the opinion of the Directors of the responsible entity:

- (a) the financial statements and notes of the Premium Income Fund ('Fund') are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2010 and of its performance for the period ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) the financial statements and notes set out on pages 6 to 16 are also in accordance with International Financial Reporting Standards issued by the International Accounting Board.

On behalf of the Board

Wellington Capital Limited



Jenny Hutson
Director



Robert Pitt
Director

Brisbane

4 March 2011



Independent Auditor's Review



Independent auditor's review report to the members of the Premium Income Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of the Premium Income Fund, which comprises the consolidated balance sheet as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Premium Income Fund (the consolidated trust). The consolidated trust comprises both the Premium Income Fund (the trust) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of Wellington Capital limited, the Responsible Entity, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated trust's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Premium Income Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

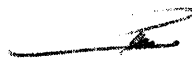
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- (a) giving a true and fair view of the consolidated trust's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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Timothy J Allman
Partner

Brisbane
4 March 2011

