

Premium Income Fund

Investor Update: April 2011



Wellington
PREMIUM INCOME FUND

Issue 2, 2011

Welcome to the Investor Update for the Premium Income Fund. This update outlines key details about the Fund's activities for the period January 2011 to April 2011

Further sales of underlying security properties have enabled a further \$7.55 million cash payment to be made to Unitholders. Further conditional contracts for \$31.25 million have also been executed for the security properties located at Kooralbyn, Tweed Heads and Mackay. The Wellington team has been working with potential purchasers on these sites for many months. The Kooralbyn International Resort has been a complex underlying security asset, and negotiations have been ongoing for 2 years to reach this outcome.



My team continues to focus on finding ways to maximise the value of the underlying assets of the Fund for the benefit of all Unitholders.

Kind regards

Jenny Hutson

Jenny Hutson
Managing Director
Wellington Capital Limited

Investor Updates are mailed to Unitholders for the periods ending April, August and December, and include a restatement of information released to the market by way of NSX releases made in the period to assist the Fund's many Unitholders who do not have internet or email access.

Key events

- Contract signed on Kooralbyn property – net proceeds to the Fund on settlement to be \$22 million
- Contract signed on Mackay property – net proceeds to the Fund on settlement to be \$2 million
- Contract signed on Tweed Heads property – net proceeds to the Fund on settlement to be \$7 million
- Further cash payment of 1 cent per unit made to Unitholders on 11 April 2011.
- Strategy update announced on 30 March 2011.

Placement - \$7.55 million raised

Wellington Capital Limited as responsible entity of the Premium Income Fund has finalised the placement of 75.5 million units raising \$7.55 million at \$0.10 per unit to professional and sophisticated investors.

A revised non-renounceable rights issue will now occur on a one for three basis at 9 cents per unit enabling eligible Unitholders the opportunity to subscribe for additional units in the Fund.

Application of funds raised

The capital raised will be utilised in its entirety to improve the Fund's position with regards to property held as security for commercial loans. The three priority projects are located in Townsville, the Hunter Valley and the Gold Coast.



Townsville, Queensland



Gold Coast, Queensland



Hunter Valley, New South Wales

Cash payments to Unitholders

Cash payments to Unitholders will only be made from funds returned following the realisation of existing assets of the Fund.

This means that all new money will be used to improve existing assets being property held as security for mortgage loans. The attached schedule sets out property sold on behalf of the Premium Income Fund as mortgagee in possession so far as they relate to the commercial loan portfolio.

Managing Director Jenny Hutson said:

"So far, 99 contracts for saleable property have been signed, sealed and settled."

Total gross realisations in relation to the property underlying the mortgage component of the Fund totals \$114 million with net realisations of \$82.5 million. Additionally, contracts for \$9.25 million are on foot subject to conditions.

Other completed buildings are currently, or will shortly be, listed with Agents for sale. It is essential that we position the outcome of the remaining assets so as to return cash to Unitholders in the shortest possible timeframe whilst optimising those returns.

Our team has co-ordinated the completion and partial sale of building projects at Wollongong, Port Macquarie and Yeppoon. In addition, as mortgagee in possession the Fund has been responsible for the maintenance and security of all other properties where the Fund is mortgagee in possession.



There are a number of properties that we have taken to market where Wellington is of the opinion that we will only be in a position to achieve the best possible economic outcome if we further develop the properties prior to sale. This placement and rights issue will give the Fund the capital to do so for the benefit of Unitholders."

Non-Renounceable Rights Issue

Wellington Capital Limited as responsible entity of the Premium Income Fund, is pleased to announce a revised timetable for the non-renounceable Rights Issue to eligible Unitholders on the basis of one new unit for every three units held, at an issue price of 9 cents per unit.

The Rights Issue will be available to all eligible Unitholders who hold units on 18 May 2011 (Record Date). Units issued pursuant to the Rights Issue will rank equally with other units on issue.

The revised timetable for the Rights Issue is set out in the table below:

Date	Event
6 May 2011	Announce Rights Issue
18 May 2011	Record Date
19 May 2011	Despatch of Information Booklet, and Entitlement & Acceptance Form
2 June 2011	Rights Issue closes (5.00pm)
3 June 2011	Allotment of new units
6 June 2011	Trading of new units expected to commence on NSX
6 June 2011	Despatch of holding statements in relation to new units
12 August 2011	Date by which shortfall of new units may be placed

All dates and times are indicative only and are subject to change. Wellington Capital Limited as responsible entity of the Premium Income Fund reserves the right to vary these dates and times without prior notice, including the right to close the offer early, withdraw the offer or accept late applications.

Changes to Constitution

Amendments have been made to the Fund's Constitution which addresses the issue price of units in the Premium Income Fund.

The amending Deed Polls, together with the Constitution is available on Wellington's website www.wellcap.com.au in the Investors section. A copy will be made available by post on request.

Investor Advisory Committee

Two members of the Investor Advisory Committee have indicated their intention to resign. Wellington Capital Limited

as responsible entity of the Premium Income Fund has decided to hold elections early.

The purpose of the Investor Advisory Committee is to ensure investor input into the future decision making process of the Premium Income Fund. The Investor Advisory Committee meets with Wellington Capital Limited as responsible entity of the Fund through formal meetings by teleconference and other communications and comprises three elected unitholders.

In order for all investors in the Premium Income Fund to make an informed decision as to the representatives appointed to the Committee, following is a nomination form for completion and return to Wellington.

The current timetable for election to the Investor Advisory Committee is as follows:

2 July 2011	Nomination forms returned to Wellington
July 2011	Collation of nominations and preparation of investor mailout
August 2011	Postal ballot conducted – booklet of nominees details provided to each investor together with voting form

The completed nomination form must be provided to Wellington by **no later than 5.00pm 2 July 2011**.

National Stock Exchange Update

Trading in the Premium Income Fund (NSX: PIN) commenced on 16 October 2008.

A summary of trading activity from 1 January 2011 to 30 April 2011 is set out below:

High	Low	Volume (01/01/2011 – 30/04/2011)
11 cents	6.6 cents	10,185,945

Trading summary (NSX:PIN) 1 January 2011 to 30 April 2011





Premium Income Fund

NSX Release: 18 May 2011

Mortgagee in Possession Sale: Kooralbyn Resort

Wellington Capital Limited as responsible entity of the Premium Income Fund is delighted to announce that a contract for the sale of the property known as the Kooralbyn Resort has been signed.

The property is subject to a conditional contract for sale. Wellington Capital Limited is selling the property as Responsible Entity of the Premium Income Fund and mortgagee in possession. The purchaser is a consortium advised by DLA Piper. Spokesman for the consortium Murray Bailey said

“Kooralbyn has extraordinary potential to become the premier address in the SE Queensland growth corridor.”

It is the incoming purchaser's intention to undertake a full refurbishment of the property and re-open it as a premier, 5 star tourist destination and seek to optimise the residential opportunity within the resort area over time.

The property known as Kooralbyn is situated on more than 350 hectares of land within the beautiful Kooralbyn hinterland valley. The property is 64 kilometres south-west of Brisbane and includes the Kooralbyn Resort and Golf Course, and Kooralbyn International School.

The Kooralbyn Resort operated until 2008 as a 100 room hotel. The Kooralbyn Resort Golf Course was the first resort golf course built in Australia. From 1986 to 2008 it was featured in every national rating list.

Kooralbyn International School continues to operate today providing private education to students from prep through to year 12. The school offers a well-renowned sports excellence program and is considered the pre-eminent golfing academy in Australia. The school's list of past students is impressive, including Cathy Freeman and four current US PGA Tour winners, Adam Scott, Jason Day, Steven Bowditch and Adam Crawford.

Managing Director, Jenny Hutson said

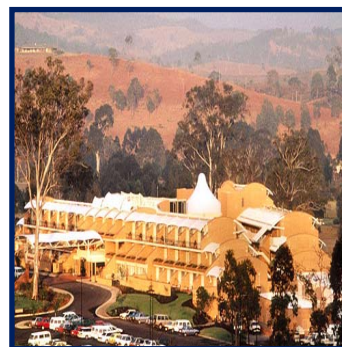
“To have a contract for sale of the Kooralbyn Resort is excellent for Unitholders. It is also an exciting step forward for the residents of, and visitors to, the Scenic Rim and broader South East Queensland. It is particularly pleasing that the contract for sale has been negotiated with a party whose intentions are to return the once outstanding resort to its former glory.”

Wellington Capital, as mortgagee in possession, has previously taken the property to market through Jones Lang LaSalle. This transaction is anticipated to return net proceeds of approximately \$22 million to the Fund.



At the request of the purchaser the contract contains a change in control clause, meaning that the purchaser can choose whether to proceed with the contract if Wellington Capital Limited is not the responsible entity of the Fund.

The contract is subject to an 18 month deferred settlement and is conditional upon finance and finalisation of town planning considerations by the Conditions Date which is eight months from the contract date namely 16 January 2012. The purchaser plans to undertake capital works following the conditions date.





Commercial Loan Portfolio Update

Wellington Capital Limited as responsible entity of the Premium Income Fund has been managing the commercial loan portfolio since 2008.

All borrowers have now defaulted, which has resulted in Wellington Capital Limited as responsible entity of the Premium Income Fund exercising the Fund's rights under the finance facility arrangements.

- This has resulted in the Fund over time taking control of all of the underlying security properties which form the security for the commercial loan portfolio.
- These assets have been managed, and continue to be managed, to an outcome which sees a return for Unitholders in the Premium Income Fund.
- To date, Wellington Capital Limited as responsible entity of the Premium Income Fund has signed and settled 99 contracts across 13 properties representing gross total proceeds of \$114 million and net proceeds of \$82.5 million.**


There are other assets which are assets of the Fund which are not the subject of this update.

Set out below is an update of security properties which have been secured and sold by the Fund in relation to its commercial mortgage loans. This list does not represent all cash collected by the Premium Income Fund, nor does it represent all of the security property held by the Fund or the other assets of the Fund.


Security properties that have been realised to repay commercial loans

The following security properties have been realised by Wellington Capital Limited as responsible entity of the Premium Income Fund:


Hastings Point, New South Wales

	Description:	Staged seniors living development: realisation of underlying security asset
	Amount realised:	\$12.66 million

Sylvania, New South Wales

	Description:	Apartment complex: realisation of underlying security asset
	Amount realised:	\$20.02 million


Creswick, Victoria

	Description:	Vacant land: partial realisation of underlying security asset
	Amount realised:	\$2.43 million




Security properties that have been realised to repay commercial loans


Brooklyn West, Victoria

	Description:	Incomplete townhouse development: realisation of underlying security property
	Amount realised:	\$0.55 million


St Leonards, New South Wales

	Description:	Partially developed (16% completed) 17 level mixed-use building: sale of underlying security property
	Amount realised:	\$8 million


Blacktown, New South Wales

	Description:	Partially developed residential unit complex sale of underlying security property
	Amount realised:	\$1.8 million

Narrabeen, New South Wales

	Description:	Partially excavated site with building approval: sale of underlying security property
	Amount realised:	\$1.5 million


Seddon, Victoria

	Description	Incomplete apartment complex: sale of underlying security property
	Amount realised:	\$8.5 million




Security properties that have been realised to repay commercial loans


Chatswood, New South Wales

	Description	Storage facility: sale of underlying security property
	Amount realised:	\$1.8 million


Mackay, Queensland

	Description:	Incomplete building: sale of underlying security property
	Amount realised:	\$5.5 million


Chifley Wollongong, New South Wales

	Description:	Facilitation of completion and subsequent sale of 78 of 84 residential apartments and the commercial area within the complex
	Amount realised:	Gross proceeds \$43.1 million Net cash proceeds to the Fund to date: \$15 million

Yeppoon, Queensland

	Description:	Facilitation of completion and sale of incomplete residential apartment complex: sale of underlying security property
	Amount realised:	\$4 million

Icon Port Macquarie, New South Wales

	Description:	Completion and sale of 10 of 26 residential apartments: sale of underlying security property
	Amount realised:	Gross proceeds \$4.7 million Net proceeds to the Fund to date: \$1.3 million


The properties at Yeppoon, Port Macquarie and Wollongong each involved a third party providing the funding to enable the completion of the originally incomplete buildings.

The net proceeds from the Wollongong project to the Premium Income Fund to date have been \$15 million. All future net funds from the project up to the most recent valuation are for the benefit of the Fund. If the remaining 7 apartments and the 168 room hotel are sold at the current carrying value, a further \$28 million will be realised for Unitholders. The net proceeds from the Icon Port Macquarie project to date have been \$1.3 million. If the remaining 16 apartments are sold at carrying value, a further \$11 million will be realised for Unitholders.




Security property subject to contract to repay commercial loans


Mackay, Queensland

	Description	Vacant land with development approval: sale of underlying security property
	Net amount to be paid to the Fund on completion	\$2 million
	Conditions/Timing:	Conditional until August 2011
	Completion:	Due September 2011

Tweed Heads, New South Wales

	Description	Reef Cove Resort: sale of underlying security property
	Net amount to be paid to the Fund on completion:	\$7 million
	Conditions/Timing:	Conditional until June 2011
	Completion:	Due September 2011


Lithgow, New South Wales

	Description	Vacant land with development approval: sale of underlying security property
	Net amount to be paid to the Fund on completion:	\$0.25 million
	Conditions/Timing:	Conditional until July 2011
	Completion:	Due August 2011


Priority projects requiring capital to complete

These are the priority projects requiring modification and development to be realised optimally.


Hunter Valley, New South Wales

	Property description:	Vacant land
	Action required:	Revised development approval required and then development required so they can be marketed as house and land.

Townsville, Queensland

	Property description:	Vacant land
	Action required:	Revised development approval required and then development required so they can be marketed as house and land.

Gold Coast, Queensland

	Property description	Development site
	Action required:	Land has current development approval. Capital required to undertake development directly or with a development partner.

Premium Income Fund

Investor Advisory Committee: Nomination



In 100 words or less, please describe what experience you will bring to the Investor Advisory Committee, including details about yourself.

Name of individual/unitholder nominating (where holding is in joint or company names):	
State of residence:	
Unitholder since:	

I, acknowledge that this information will be publicly distributed to Unitholders in the Premium Income Fund for the purposes of electing 3 Unitholders to the Fund's Investor Advisory Committee.

Name: _____

Signature: _____

Date: _____ / _____ /2011

Please return this completed form to:

Wellington Capital Limited
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GPO Box 694
BRISBANE QLD 4001
Fax: 1300 854 893
Email: enquiries@newpif.com.au

By no later than 5.00pm, 2 July 2011