

# Premium Income Fund

NSX Release: 28 November 2014



## **Receivable from realisation of units in the Harbour Street Development Trust**

As set out in the Annual Report of the Premium Income Fund released on the NSX on 15 August 2014 one of the Fund's receivables is an amount due of \$7.3 million to the Fund following the Fund's realisation of its units in the Harbour Street Development Trust, the trustee of which is Harbour Street Development Pty Ltd.

Harbour Street Development Trust has defaulted its loan covenant in not meeting its loan repayment obligations. As a consequence, as set out in the announcement of 12 June 2014, the Directors of the Responsible Entity have enforced their security commencing action to recover the debt including selling the property.

As announced on 18 November 2009 Wellington Capital Limited as Responsible Entity of the Premium Income Fund in its capacity as mortgagee in possession 60-62 Harbour Street, Wollongong sold the partially complete asset, hotel and apartment complex to Harbour Street Development Pty Ltd as trustee of the Harbour Street Development Trust for \$38 million (plus GST) which was to be paid upon completion of the project from the sale of apartments.

The property was originally taken to market 'as is' (that is incomplete) by the Premium Income Fund during May 2009. The property was passed in at auction, and a contract was entered into after auction with the highest bidder, subject to due diligence. The contracting purchaser terminated the contract during the due diligence phase, and the property remained on the market.

Completion of the project included completion of construction of a 168 room hotel, 75 apartments, adjacent commercial space and 10 serviced apartments.

In September 2010 a restructure of the arrangements with Harbour Street Development Pty Ltd as trustee of the Harbour Street Development Trust was undertaken whereby Harbour Street Development Pty Ltd became controlled by Wellington Capital Limited on behalf of the Premium Income Fund and it retained ownership of the hotel and the apartments which remained for sale, in its capacity as trustee of the Harbour Street Development Trust.

As announced on 5 August 2011 42.5% of the units in the Trust were sold for \$8 million with the Premium Income Fund retaining the balance 57.5% in the Trust.

On 28 February 2013 Wellington Capital Limited as Responsible Entity of the Premium Income Fund announced that it had sold its remaining 57.5% interest in the Harbour Street Development Trust which owned the 168 room Chifley Wollongong Hotel for \$8.9 million payable over time.

The Fund realised its final 57.5% of the units for \$8.9 million, payable over time. The first payment, being \$1.6 million was made on 28 February 2013. The further payment of \$2.5 million due to be paid in June 2014 was not made and the Fund became mortgagee in possession of the asset.

As announced on 12 June 2014 Wellington Capital Limited as Responsible Entity of the Premium Income Fund has become mortgagee in possession of the asset known as the Chifley Wollongong and the property has been marketed and sold with settlement taking place today. The remaining \$7.3 million payable by the borrower has been received from the proceeds of settlement after repayment to the first mortgagee.

The table below sets out the proceeds associated with the various component parts between 2009 and 2014:

Actual proceeds received	
	\$
Apartments	\$50.02 million
Commercial area	\$0.825 million
Sale of 42.5% units in the Harbour Street Development Trust	\$8 million
Sale of 57.5% units in the Harbour Street Development Trust	\$8.9 million*
<b>Total</b>	<b>\$67.745 million</b>
Less cost to complete including:	
<ul style="list-style-type: none"> <li>Completion of 85 apartments and 168 room hotel</li> <li>Fitout of 168 hotel rooms</li> <li>Sales and marketing costs</li> <li>Legal fees</li> <li>Council fees</li> <li>Developers profit</li> </ul>	\$26.9 million
<b>Proceeds</b>	<b>\$40.845 million</b>

\* This includes the \$7.3 million received at settlement today.

**For further information please contact:**

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