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Via: E Lodgement

### **PRV – Q&A on tax effects**

Provided below are some commonly asked questions in relation to the inclusion of tax effects in financial information reported by Premium Investors Limited (“PRV”), focused around the 31 December 2009 half year end financial report.

*Question:* What do the before and after tax ratios reported in the December 2009 Net Tangible Assets (“NTA”) for PRV refer to?

*Answer:* These ratios refer to the company’s NTA ratio before and after provision for deferred tax on the **unrealised** gains/losses in the company’s investment portfolio. Included in both ratios however are any tax effects the company has been able to recognise in relation to **realised** gains/losses.

*Question:* Does tax on unrealised gains/losses impact taxable income?

*Answer:* No. The company is required under Accounting standards to provide for tax on gains that may arise from any theoretical disposal of these assets, after any applicable carried forward tax losses have been utilised. Accordingly in the 30 June 2009 financial report no tax asset for these amounts were booked as carried forward tax losses were not utilised.

*Question:* Do both ratios reported in the December 2009 NTA announcement include a provision for tax on realised taxable income/losses?

*Answer:* Yes. Both ratios include a tax asset recognised to the extent of 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. This amount has also been calculated in consultation with the company’s auditors, with a reasonable period being considered as 5 years.



*Question:* Have all carried forward tax losses been reflected as a deferred tax asset in the company's 30 June 2009 and 31 December 2009 financial statements?

*Answer:* No. The full amount of carried forward tax losses has not been booked as an asset on the company's balance sheet in either of these financial reports. This has been decided in consultation with the company's auditors and with regards 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 as at 30 June 2009; which has been determined to be 5 years. This is reviewed every 6 months at each financial reporting period.

*Question:* Which ratio reported in the December 2009 NTA announcement is equivalent to what is reported in the 31 December 2009 half year (and 30 June full year) financial statements?

*Answer:* The financial report considers all tax implications in accordance with the Accounting Standards. Therefore the equivalent ratio to what is reported in the 31 December 2009 financial statements is the after tax ratio.