

Premium



Investors Limited

Commentary including the Chairman's Address

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COMPANY HIGHLIGHTS

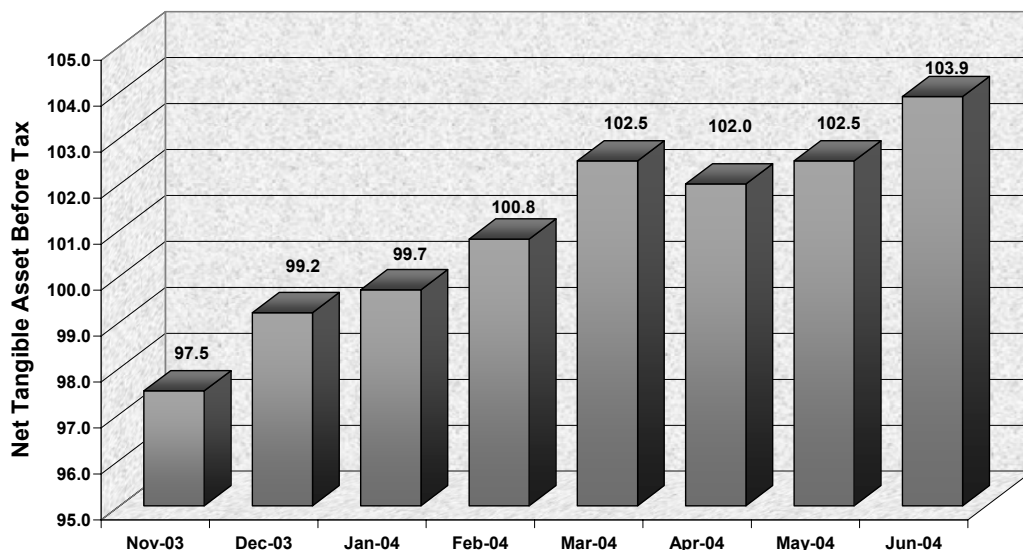
This is the first Annual Report for Premium Investors Limited.

This Report represents the period from 16 September 2003 (date of incorporation) to 30 June 2004, with the company listing on the Australian Stock Exchange on 27 November 2003. The company highlights for this period are as follows:

- The company issued 172,124,300 shares and options following the float of the company onto the Australian Stock Exchange raising \$172,124,300.
- The company's maiden total earnings were \$3.5 million comprised of \$2.1 million net profit from ordinary activities after tax for the period and \$1.4 million realised gains on investments after tax.
- Earnings per share for the period is 1.24 cents per share.
- Total dividends paid and payable in respect of the period to 30 June 2004 are 2.0 cents per share fully franked.
- Portfolio value (including cash) as at 30 June 2004 has increased from \$167.9 million in value to \$180.6 million, an increase of \$12.7 million or 7.6% for the period.
- As at 30 June 2004, the net tangible assets before estimated tax on unrealised capital gains and after all fees was 103.9 cents per share. If the entire portfolio was to be disposed of, the net tangible assets would be 102.5 cents per share after deducting the estimated tax in the unrealised capital gains.
- Total portfolio return, as measured by the increase in the net tangible assets of the company from 97.5 cents on 27 November 2003 (date of listing) to 103.9 cents as at 30 June 2004, was 6.6%. If the interim dividend of 0.4 cents per share is added back, the growth rate is 7.0% for the period.

The graph below highlights the pleasing growth of the net tangible assets of Premium since listing.

Net Tangible Asset Growth to June 2004



CHAIRMAN'S ADDRESS

On behalf of the board, I have the pleasure in presenting the company's maiden results. Premium Investors Limited was incorporated on 16 September 2003 and was listed on the Australian Stock Exchange on 27 November 2003. The results in this Annual Report represent the period since incorporation until 30 June 2004.

The company issued 172,124,300 shares and options following the float of the company onto the Australian Stock Exchange. The shares were issued at \$1.00 each and after transaction costs relating to the capital raising of \$4.2 million, the company had an opening net asset position of \$167.9 million. As at 30 June 2004, the net assets have increased in value to \$178.6 million, an increase of \$10.7 million or 6.4%.

Operating Results

Premium Investors is pleased to report a maiden net operating profit after tax of \$2.1 million for the period ended 30 June 2004. In addition, the company recorded realised gains on the sale on investments after tax of \$1.4 million. After adjusting for options exercised and the impact of the share buy-back, earning per share amounted to 1.24 cents per share after tax.

Net Asset Backing and Performance

The net asset backing for each of the company's ordinary shares after tax but before estimated tax on unrealised gains and after all fees was 103.9 cents per share. This represents a growth rate of 6.6% for the NTA since inception and excludes the dividend paid in March. If the dividend was added back, the growth rate would be 7.0% for the period of just over 7 months. If the entire portfolio was to be disposed of, the NTA would be 102.5 cents, a percentage gain of 5.1% per share after deducting the estimated tax on the unrealised capital gains.

The returns provided by the four underlying managers is pleasing in an absolute sense particularly given that the managers have been building their portfolios since listing into a market that has risen over the period. Each of the underlying managers has outperformed the UBS Warburg Bank Bill plus 2% benchmark since listing (the benchmark return being 4.5% for this period). From an individual stock viewpoint, the top positive contributors for the period were Westpac, ANZ, Great Southern Plantations and Commonwealth Bank. The largest negative contributors for the period were Amcor, Ion, Palm Springs and Capral Aluminium. Given the growth in value of the portfolio, it goes without saying that there were more winners overall than losers.

Dividends

The company intends to pay dividends after expenses, from any realised profits, interest and dividend income it received from its investment to the extent permitted by law and prudent business practices.

Total dividends paid and payable in respect of the period to 30 June 2004 is 2.0 cents per share fully franked. The total dividend of 2.0 cents per share is comprised of two payments. An interim dividend of 0.4 cents per share fully franked was paid in March 2004. A fully franked dividend of 1.6 cents per share is to be paid on 30 September 2004.

As Premium has only been trading for less than eight months, there were no listed investment company capital gains tax benefits able to be distributed with these dividends.

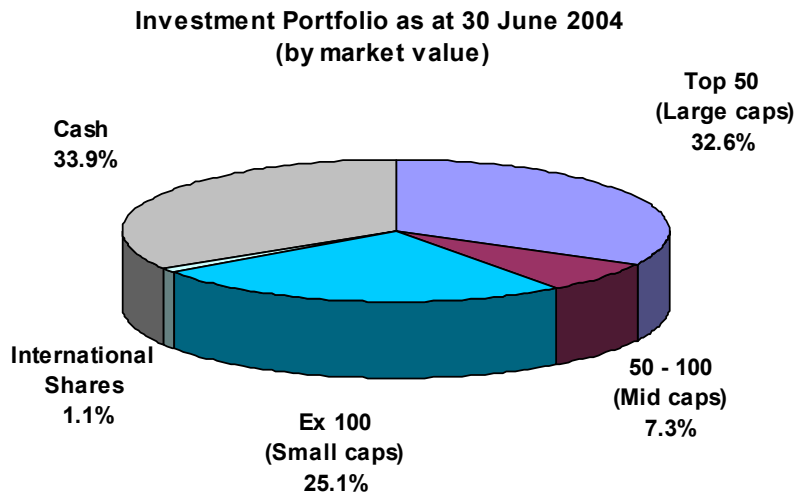
The company's clear objective is to pay increasing dividends over time given market conditions. It is anticipated that Premium's long term portfolio will continue to produce an increasing dividend stream.

Dividend Reinvestment Plan

The company is looking to introduce a dividend reinvestment plan in 2005 to allow investors the option of reinvesting their dividend payments. This plan will be recommended to shareholders for approval at our upcoming 2004 Annual General Meeting.

Portfolio

As at 30 June 2004, the portfolio of \$180.6 million consisted of listed investments was valued at \$120.4 million and \$60.2 million invested in commercial bills, cash at bank or on 11.00am call. The underlying managers have been gradually investing their funds since the company listed in November 2003. Currently, the company is 66.7% invested in listed equity investments with 65.6% invested on the Australian Stock Exchange and 1.1% invested in international shares. Being an equities oriented absolute return fund, the underlying managers have been taking care to invest opportunistically in companies which have a competitive advantage, strong recurring earnings and the potential to grow.



Top 25 Holdings as at 30 June 2004

Company	Portfolio Value \$'000	% of Total Portfolio Value	
1	National Australia	7,679	4.44%
2	Telstra	6,104	3.53%
3	ANZ	5,944	3.44%
4	Westpac	4,889	2.83%
5	Amcor	3,789	2.19%
6	AGL	2,851	1.65%
7	CBA	2,782	1.61%
8	Transurban	2,484	1.44%
9	PBL	2,370	1.37%
10	St. George Bank	1,804	1.04%
11	Telecom NZ	1,700	0.98%
12	Qantas	1,609	0.93%
13	Macquarie	1,604	0.93%
14	BHP Billiton	1,571	0.91%
15	Centennial Coal	1,540	0.89%
16	Fosters Group	1,525	0.88%
17	Great Southern Plantation	1,437	0.83%
18	Codan Limited	1,246	0.72%
19	Alumina Limited	1,235	0.71%
20	Hills Motorway	1,206	0.70%
21	McPherson's Limited	1,205	0.70%
22	inet Limited	1,161	0.67%
23	Australian Leisure & Hospitality	1,153	0.67%
24	AV Jennings	1,055	0.61%
25	Westfield Holdings	1,033	0.60%
	60,976	35.27%	

Market Sectors and Asset Classes as at 30 June 2004 (By market value)

Sector	% of Total Market Value
Energy	1.71%
Materials	10.46%
Industrials	10.12%
Consumer Discretionary	8.44%
Consumer Staples	2.22%
Health Care	1.59%
Financials ex LPT's	17.68%
Listed Property Trusts	3.94%
Information Technology	2.15%
Telecommunication	4.56%
Utilities	2.05%
International Shares	1.20%
Cash	33.88%
Total	100.00%

Capital Changes

In accordance with the company's capital management philosophy, Premium announced on 11 May 2004 a market share buy-back for a 12 month period commencing 25 May 2004. Under the buy-back, Premium will be able to acquire up to 17,218,250 shares. If the share price of Premium consistently trades at a substantial discount to the company's NTA, the company will utilise the buy-back facility and will acquire shares in the market and cancel them. This will increase the underlying value of the remaining shares. Until 30 June 2004, the company has bought back 340,000 shares in accordance with this capital management policy.

The extent of the company's participation in the buy back is linked to general parameters which the Board has established. In broad terms, any potential buy back activity will be linked to the discount of the company's share price to its NTA, relative size of the company's discount compared to similar listed investment companies together with the underlying market conditions.

Transparency

We aim to keep investors fully informed about the company's activities and performance. In this regard, Premium Investors issue monthly net tangible asset announcements, yearly and half yearly profit announcements, quarterly Investor Updates and shareholder briefings. All this information is available through our website at www.premiuminvestors.com.au.

Rodney Green
Chairman
25 August 2004

ABOUT THE COMPANY

Premium Investors is an investment company specialising in the management of primarily Australian securities, and international securities. The company's investments are managed by Treasury Group Investment Services Limited (the Manager) who has selected four specialist "boutique" investment managers to manage those investments.

Premium Investors offers shareholders a unique opportunity to share in the growth and success of the burgeoning "boutique" sector of the Australian funds management industry. "Boutique" investment managers are smaller than the large bank and insurance company-owned investment managers, and are characterised by significant levels of direct staff ownership. Staff ownership of this nature provides for an effective alignment of interests between investors and management. Boutiques are built around the needs of the client and as a consequence, most boutiques are keen to limit their growth and focus on the delivery of strong investment results. The investment managers that have been selected for Premium Investors, are return focused, meaning they invest, without any strong reference to the underlying benchmark index and are acutely aware of risk as it relates to losing shareholders' capital.

INVESTMENT OBJECTIVES

The long term investment objective of the company is to achieve a high long term real rate of return for its investors, comprised of both income and capital growth, while aiming to reduce the risk and quantum of capital loss over the shorter term.

INVESTMENT PHILOSOPHY

The investment philosophy of the company is that the Manager, and Investment Managers, will invest the company's portfolio, taking advantage of the different styles, skills and areas of expertise of the Manager and the Investment Managers. This investment approach is commonly termed "fund of funds".

The fund of funds approach is commonly used across the investment industry and a large amount of assets are managed on this basis. The appeal of the traditional fund of funds approach lies in the risk reducing benefits of investment manager diversification coupled with professional ongoing investment manager assessment.

The Manager and the company have agreed that the Investment Managers will be given, as appropriate, the authority to manage the assets in a non-standard fashion. That is, because of the real return focus objective of the company, they will not necessarily replicate an existing portfolio or index, but the investment objective will be determined by discussion between the Manager and the Investment Manager, and will be tailored specifically to meet the company's overriding goals. The company believes that a real return focus must provide sufficient flexibility to the manager to exercise its judgment in making investment decisions.

INVESTMENT MANAGERS

The Manager has appointed four investment managers, which have the following funds under management as at 30 June 2004.

Investors Mutual Limited	\$70.0m
Orion Asset Management Limited	\$51.5m
Confluence Asset Management Limited	\$27.6m
Armytage private Limited	\$24.8m

Detailed below is a brief analysis of each of the four managers selected by the Manager for your portfolio.

(i) Investors Mutual Limited



Investors Mutual commenced business in 1998 with Anton Tagliarero as founder and Investment Director. Since its beginnings Investors Mutual Limited has grown strongly with funds currently under management of over \$4 billion as at 30 June 2004.

Investors Mutual is a specialist active manager of Australian share portfolios. Its approach is based around a style that it calls "inherent value analysis", which simply means that each company has an underlying inherent value that can be determined - and that over the long term, the company's share price will reflect that value. Investors Mutual seeks to identify from within the investment universe inherent fundamental value, through disciplined, thorough and consistent research and build share portfolios that only contain those shares that its research indicates offer above-average value. Simplistically the process is seeking to buy companies at a reasonable price that have a competitive advantage, recurring earnings that can grow over time and run by capable management.

(ii) Orion Asset Management Limited



Orion is headed by Tim Ryan who has a long and distinguished track record in the Australian sharemarket. In his previous role with Credit Suisse Asset Management, Tim was Head of Equities and then Chief Investment Officer. During his period at Credit Suisse total funds under management grew significantly from around \$1 billion to over \$18 billion. Prior to this successful role, Tim was head of research at James Capel and was a highly rated analyst.

Orion's investment style is strongly research-driven and uses technology intensively to identify investment ideas. Orion believes that companies' earnings growth prospects are often mis-priced by the market and that a strong disciplined research process can identify these anomalies. Orion's investment decisions are inherently based on the relationship between its profit growth expectations for each company and the market's view as reflected in the share price of the company.

Since start up in February 2003, Orion has received market support by being appointed as investment manager for a number of mandates and as at 30 June 2004 has funds under management of over \$600 million. Orion has also successfully concluded a retail distribution alliance for the distribution of its products into the financial planning and retail market.

(iii) Confluence Asset Management Limited



Confluence is a relatively new investment manager with Campbell Boag as the Chief Investment Officer. Campbell has a long and distinguished track record in funds management specialising in Australian smaller companies. Campbell's previous role was as head of Smaller Companies at Rothschild Australia Asset Management. In this position he oversaw strong growth in funds under management over a 5 year period achieving solid investment performance and strong client support. Previous roles included 5 years at Mercantile Mutual (now ING), where Campbell was the founding manager of their smaller company retail funds.

Confluence is a bottom-up manager with a value based philosophy, specialising in smaller companies outside the Top 100 companies listed on the ASX. Confluence believes the early identification of "value" is the key to generating superior returns. A rigorous analysis of small cap companies is employed to identify priority stocks for investing. In addition to value, Confluence's analysis focuses on business quality. Whilst Confluence uses many different information sources to assist in idea generation, Confluence sees the on site company visit program as the backbone of its research. Confluence has funds under management of approximately \$50 million spread across a number of clients.



(iv) Armytage private Limited

Armytage is a private investment manager that provides an institutional style of professional discretionary investment portfolio management service to individuals, companies, trusts, superannuation funds and charitable foundations. The company was established in 2000 by Lee lafrate who heads the portfolio management team.

Armytage has two distinct areas of specialisation with an over riding investment philosophy of "Fundamental Based Value". The first area is in large capitalisation (ASX 100) stocks. Armytage seeks companies that are expected to maintain a track record of consistent and replicable earnings and dividend growth. These stocks are identified through research and analysis involving particular focus on management and key ratios. The second area of specialisation is in small capitalisation or special situation stocks. These investments will tend to be either potential takeover targets, contrarian investments or stocks that are trading at a significant discount to net tangible asset backing. Once a stake is accumulated in these investments, Armytage takes a very active role in the pursuit of unlocking this hidden value.

Since establishment, Armytage has grown consistently and currently has over 45 clients comprising over \$100 million funds under management as at 30 June 2004.

Appendix 4E

1. Preliminary final report

Name of entity

Premium Investors Limited

ABN:	47 106 259 885
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Report for the period	16 September 2003 (date of incorporation) to 30 June 2004
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2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	up/down	100%	to	A\$'000s \$42,678
Profit (loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up/down	100%	to	\$2,130
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	up/down	100%	to	\$2,130
Dividends (<i>item 2.4</i>)				
Fully franked interim dividend of 0.4 cents per share paid 31 March 2004. It is proposed to pay final fully franked dividends of 1.6 cents per share. Payment Date: 30 September 2004				
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	17 September 2004			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>): For the details, please refer to the attached Financial Report for the year ended 30 June 2004. Also, please see attached Chairman Address for detailed commentary.				

3. Dividends (*item 6*)

	Date of payment	Total amount of dividend
Final dividend – period ended 30 June 2004	30 September 2004	\$2,749,512
Interim dividend – period ended 30 June 2004	31 March 2004	\$688,730

3. Dividends (item 6) (Cont'd)

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Final dividend: Current year	1.6¢	100%	-¢
Interim dividend: Current year	0.4¢	100%	-¢

4. Net tangible assets per security (item 9)

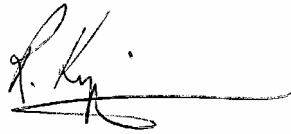
	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	103.9¢	N/A

5. The annual financial report is not subject to audit dispute or qualification.
(item 17)

6. The remainder of information requiring disclosure to comply with listing rule 4.3A is contained in the attached 2004 annual report.

Periodic Disclosure Requirements Compliance Statement

- 1 An annual report for the year ended 30 June 2004 is provided with the Appendix 4E information.
- 2 The annual report has been prepared in accordance with Australian Accounting Standards.
- 3 The Appendix 4E information gives a true and fair view of the matters disclosed in the annual financial report.
- 4 The Appendix 4E information is based on the annual financial report, which has been subject to audit.
- 5 The audit report or review by the auditor is provided with the annual financial report.



Sign here: Date: 25 August 2004
(Company Secretary)

Print name: Robert Kipp

Premium Investors Limited

ABN 47 106 259 885

**FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 30 JUNE 2004**

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885

CORPORATE INFORMATION

Directors

Rodney Green (Chairman)
Joel Bloom
Kenneth Stout
Robert Kipp

Company Secretary

Robert Kipp

Chief Executive Officer

Graham Putt

Registered Office

Level 16, 90 Collins Street
Melbourne, Victoria, 3000
Phone (03) 9671 - 3667
Facsimile (03) 9639 - 0311

Sydney Office

Level 10, 275 George Street
Sydney, NSW, 2000
Phone (02) 8243 - 0400
Facsimile (02) 8243 - 0410

Solicitors

Norton Gledhill
Level 23, 459 Collins Street
Melbourne, Victoria, 3000

Banker

Westpac Banking Corporation

Investment Custodian

RBC Global Services Australian Pty Ltd

Share Register

Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford, Victoria, 3067
(03) 9415 5000

Auditors

Pitcher Partners
Level 6, 161 Collins Street
Melbourne, Victoria, 3000

Internet Address

www.premiuminvestors.com.au

**PREMIUM INVESTORS LIMITED
FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 30 JUNE 2004**

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PREMIUM INVESTORS LIMITED
ABN 47 106 259 885

DIRECTORS' REPORT

The directors present their report together with the financial report of Premium Investors Limited, for the period from 16 September 2003 (date of incorporation) to 30 June 2004 and independent audit report thereon.

Directors

The names and details of the directors in office at any time during the period from 16 September 2003 (date of incorporation) to 30 June 2004 or since then are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications and special responsibilities

Mr Rodney Green (Chairman) - appointed on 16 September 2003

Mr Green has over 25 years experience in the financial services industry. Mr Green previously headed Perpetual Investments, the funds management division of Perpetual Trustees Australia Limited and later joined Treasury Group Limited as Managing Director.

Mr Green brings a wealth of investment management experience ranging from time spent as an equity analyst, fund manager and Chief Investment Officer for both domestic and global businesses. Mr Green is an Australian Chartered Accountant and an Associate Member of the Securities Institute.

Mr Joel Bloom (Non-Executive Director) - appointed on 30 September 2003

Mr Bloom has over 20 years commercial and professional experience in private and public companies. Mr Bloom was a founder and major shareholder of Go-Lo Variety Stores and oversaw the growth of Go-Lo from 1 store in 1987 to 80 stores in April 2000, at which stage the business was sold to Millers Retail Ltd. As a Director and then as Managing Director of Go-Lo, Mr Bloom was responsible for strategic and day to day decision making. Mr Bloom has strong experience with regard to small business and emerging companies.

Mr Kenneth Stout (Non-Executive Director) - appointed on 16 September 2003

Mr Stout has over 23 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 also the honorary treasurer of the Institute of Arbitrators and Mediators Australia.

Mr Robert Kipp (Executive Director) - appointed on 8 October 2003

Mr Kipp has over 18 years commercial experience. In addition to joining Premium Investors Limited as a director and company secretary, he also holds the position of chief financial officer and company secretary of Treasury Group Limited and a number of its subsidiaries and associated entities, a position which he has held over the past two years. Prior to joining Treasury Group he held senior executive positions in private industry and was a senior partner in a public accounting practice where he provided specialized corporate advisory services including IPO's, mergers and acquisitions, strategic corporate planning, and tax advisory services. Industries in which he has developed significant experience include financial services, manufacturing, professional services and information technology. Mr Kipp is a Fellow of CPA Australia and a member of the Institute of Company Directors.

Mr Timothy Poole (Non-Executive Director) - appointed on 16 September 2003 and resigned on 6 October 2003

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885

DIRECTORS' REPORT (Continued)

Interests in the shares and options of the company

As at the date of this report, the interests of the directors in the shares and options of Premium Investors Limited were:

	Ordinary shares fully paid <i>Number</i>	Options over ordinary Shares <i>Number</i>
Rodney Green	50,000	50,000
Joel Bloom	200,000	200,000
Robert Kipp	30,000	30,000
Kenneth Stout	-	-

Earnings Per Share	Cents
Basic earnings per share	1.24
Diluted earnings per share	1.24

Dividends	Cents	\$
Final dividends recommended:		
• on ordinary shares fully franked	1.6	2,749,512
Dividends paid in the financial period:		
<i>Interim for the financial period</i>		
• On ordinary shares fully franked	0.4	688,730

Corporate Information

Corporate structure

Premium Investors Limited is a 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 predominantly Australian marketable securities. There has been no significant change in the nature of the activities during the period from 16 September 2003 (date of incorporation) to 30 June 2004.

Employees

The company procures services under a management agreement as disclosed in Note 14 to the financial statements and as such has no direct employee.

Operating Results for the Period from 16 September 2003 (date of incorporation) to 30 June 2004

The profit of the company for the period after providing for income tax amounted to \$2.1m. In addition, the realised gain after tax from its investments for the period is \$1.4m.

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 period under review.

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885

DIRECTORS' REPORT (Continued)

Significant Events After the Balance Date

On 25 August 2004, the directors of Premium Investors Limited declared a final dividend on ordinary shares in respect of the financial period from 16 September 2003 (date of incorporation) to 30 June 2004. The total amount of the dividend is \$2,749,512, which represents a fully franked dividend of 1.6 cents per share. The dividend has not been provided for in the 30 June 2004 financial statements.

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 entity's operations are not presently subject to significant environmental regulation under the law of the Commonwealth and State.

Share Options

Unissued shares

As at the date of this report, there were 172,364,100 unissued ordinary shares under options (172,364,100 at reporting date). Further details of the options outstanding to executives and directors are included in Note 15 and Note 17 to the financial report.

Indemnification and Insurance of Directors and Officers

Since the end of the financial period 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.

During the financial period, the company has paid an insurance premium of \$58,850 in respect of a contract insuring officers of the company against a liability which may be incurred in that person's capacity as an officer of the company.

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885

DIRECTORS' REPORT (Continued)

Directors' and Other Officers' Emoluments

Remuneration policy

The full Board is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments 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 and executive team.

Details of the nature and amount of each element of the emolument of each director of the company and the executive officer of the company are as follows:

Emoluments* of directors of Premium Investors Limited

	<u>Annual Emoluments</u>			<u>Long Term Emoluments</u>					
	Base fee \$	Bonus \$	Other \$	Termination & Similar Payments \$	Options Granted @ Number	\$	% of Remune- ration	Super- annuation \$	Total \$
Rodney Green Chairman	-	-	-	-	-	-	-	-	-
Joel Bloom Non-Executive Director	13,761	-	-	-	-	-	-	1,239	15,000
Kenneth Stout Non-Executive Director	16,500	-	-	-	-	-	-	-	16,500
Robert Kipp Executive Director	-	-	-	-	-	-	-	-	-
Timothy Poole Non-Executive Director	-	-	-	-	-	-	-	-	-

Emoluments* of executive of Premium Investors Limited

	<u>Annual Emoluments</u>			<u>Long Term Emoluments</u>				
	Base fee \$	Bonus \$	Other \$	Number	Options Granted @ \$ Amortised cost	% of Remune- ration	Super- annuation \$	Total \$
Graham Putt Chief Executive Officer	-	-	-	300,000	7,643	100	-	7,643

Notes

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

* The elements of emoluments have been determined on the basis of the cost to the company, except for options issued.

@ Options granted as part of remuneration have been valued using a Black-Scholes option pricing model, which takes account of factors such as the option exercise price, volatility of the underlying share price and the time to maturity of the option. Option variables include an implied volatility rate of 7% based on the closing price of options on the first day of trading, a risk free rate of 5.4% and other variables as disclosed in Note 17 to the financial report.

Executives are those directly accountable and responsible for the operational management and strategic direction of the company.

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885

DIRECTORS' REPORT (Continued)

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the financial period and the number of meetings attended by each director were as follows:

	Directors Meeting
Number of meetings held:	7
Number of meetings eligible to attend and attended:	
Rodney Green	7
Joel Bloom	6
Robert Kipp	6
Kenneth Stout	7
Timothy Poole	1

Committee Membership

As at the date of this report, the company had an Audit Committee comprised of Mr Stout and Mr Bloom, with Mr Stout as Chairman of the Audit Committee.


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 report.

Signed in accordance with a resolution of the directors:



Director
ROBERT KIPP

Dated this 25th day of August 2004

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885

CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. The Company is pleased to advise that the Company's practices are largely consistent with the ASX guidelines. Those policies recommended by the ASX Corporate Governance Council (the Council) have been in place since the Company listed on Australian Stock Exchange on 27 November 2003, which were subsequently endorsed by the Board of Directors.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the nature and scope of its activities.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at http://www.asx.com.au/about/CorporateGovernance_AA2.shtm.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chairman	1.2
Recommendation 2.3 Role of the Chairman and CEO	1.2
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Reporting on Principle 2	1.2, 1.4.6 and the Directors' Report
Recommendation 3.1 Directors' and Executives' Code of Conduct	1.1
Recommendation 3.2 Company Securities Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1 Attestations by CEO and CFO	1.4.11
Recommendation 4.2 Establishment of Audit Committee	2.1
Recommendation 4.3 Structure of Audit Committee	2.1.2
Recommendation 4.4 Audit Committee Charter	2.1
Recommendation 4.5 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8
Recommendation 6.2 Attendance of Auditor at General Meetings	1.4.8
Recommendation 7.1 Policies on Risk Oversight and Management	2.1.3
Recommendation 7.2 Attestations by CEO and CFO	1.4.11
Recommendation 7.3 Reporting on Principle 7	2.1.3
Recommendation 8.1 Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1 Remuneration Policies	2.2.4

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

Recommendation	Section
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2.4.1 and 2.2.4.2
Recommendation 9.4 Equity-Based Executive Remuneration	2.2.4.1
Recommendation 9.5 Reporting on Principle 9	2.2.
Recommendation 10.1 Company Code of Conduct	3

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board in carrying out its functions, it has developed a Directors & Executives Code of Conduct to guide the Directors, the Chief Executive Officer and the Chief Financial Officer.

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The board consisting of three non executive directors and one executive director. The ASX principles of good corporate governance recommend a majority of independent directors, however the board consider that due to the scope and nature of the Company's activities the present composition is adequate.

The names of the Directors and their qualifications and experience are stated on page 1 along with the term of office held by each of the Directors. Directors are appointed based on the specific governance skills required by the Company and on the independence of their decision-making and judgment.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Bloom and Mr Stout are Non-Executive Directors. In addition to being Non-Executive Directors, Mr Bloom and Mr Stout also meet the following criteria for independence adopted by the Company.

An Independent Director:

1. is a Non-Executive Director and:
2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
3. has not been employed in an executive capacity by the Company;
4. has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

1. Board of Directors (Cont'd)

1.2 Composition of the Board (Cont'd)

7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Green is a Non-Executive Director/Chairman of the Company, but is also a Director of Treasury Group Investment Services Ltd which has a material contract with the Company and as such does not meet the Company's criteria for independence. However, his experience and knowledge of the investment industry makes his contribution to the Board such that it is appropriate for him to remain in his position as Chairman. Mr Putt is the Chief Executive Officer and is also a Director of Treasury Group Investment Services Ltd.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
2. Strategy Formulation: working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long term budgets.
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources: approving the appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is contained on the Company's website.

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

1. Board of Directors (Cont'd)

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

1.4.5 Education and Induction

New Directors will undergo an induction process in which they are given a full briefing on the Company. This includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors will include:

- details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- a copy of the Board Charter;
- Guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

1. Board of Directors (Cont'd)

1.4 Board Policies (Cont'd)

1.4.5 Education and Induction (Cont'd)

- background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to predetermined limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company and will be reported in writing to each Board meeting. Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

1. communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
3. making it easy for shareholders to participate in general meetings of the Company; and
4. requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

The Company has a Securities Trading Policy under which Directors and certain employees and their associates may only trade in the Company's securities during the 6 weeks commencing immediately after each of the following ("trading window"):

- the release by the Company of its half-yearly results to the ASX;
- the release by the Company of its annual results to the ASX; and
- the close of the general meeting of the Company.

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

1. Board of Directors (Cont'd)

1.4 Board Policies (Cont'd)

1.4.9 Trading in Company Shares (Cont'd)

In addition, consistent with the law, designated officers are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. Unpublished price sensitive information is information regarding the Company, of which the market is not aware, that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Notice of an intention to trade must be given prior to trading in the Company's securities as well as a confirmation that the person is not in possession of any unpublished price sensitive information. The completion of any such trade by a Director must also be notified to the Company Secretary who in turn advises the ASX.

1.4.10 Performance Review/Evaluation

Each year the Board conducts an evaluation of its performance. The Board's performance is measured against both qualitative and quantitative indicators. The objective of this evaluation is to provide best practice corporate governance to the Company.

1.4.11 Attestations by CEO and CFO

In accordance with the Board's policy, the CEO and the CFO made the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

2. Board Committees

2.1 Audit Committee

The Audit Committee was formed by resolution of the Board on 9 March 2004. Below is a summary of the role, composition and responsibilities of the Audit Committee. Further details are contained in the Audit Committee's Charter which is available for review on the Company's website.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

2.1.2 Composition

The Audit Committee consists of two members. The ASX principles of good corporate governance recommend at least three members form the composition of the audit committee however the board consider that due to the scope and nature of the Company's activities the present composition is adequate. Members are appointed by the Board from amongst the Non-Executive Directors, all of whom must also be independent.

The current members of the Audit Committee are Mr Stout and Mr Bloom. All members can read and understand financial statements and are otherwise financially literate and Mr Stout, the Chairman, is a qualified accountant with experience in financial and accounting matters. The details of the member's qualifications may be found in their Director Profiles on page 1 of the directors' report.

As the Company is newly listed and the audit committee formed in March 2004, the newly formed Audit Committee have not held any meetings for the financial period ended. The first scheduled meeting is to review the accounts for the 2004 financial period.

2.1.3 Responsibilities

The Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements before submission to the Board and recommends their approval.

The Audit Committee also recommends to the Board the appointment of the external auditor and the internal auditor and each year, reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee is also responsible for establishing policies on risk oversight and management.

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

2. Board Committees (Cont'd)

2.2 Remuneration Committee

The ASX principles of good corporate governance recommend a minimum of three members to form the composition of the remuneration committee with the majority being independent and chaired by an independent director. The board consider that due to the scope and nature of the Company's activities the whole Board which consists of 4 members should undertake this responsibility. As such, the Company does not have a separate remuneration committee. The remuneration of the directors are reviewed annually by the board as detailed in the board charter a copy of which is available for review on the Company's website.

2.2.4 Remuneration Policy

The Company does not have a Senior Executive Remuneration Policy as all executive and administrative services are provided to the Company under contract by Treasury Group Investment Services Ltd. As such the Company does not employ any personnel directly or deem it necessary to have an employee remuneration policy.

2.2.4.1 Senior Executive Remuneration Policy

As stated in 2.2.4 the remuneration of the senior executives is provided for under the service contract with Treasury Group Investment Services Ltd however in a one off arrangement and as detailed in the prospectus lodged with ASIC in October 2003, the Company did issue 300,000 options to the Chief Executive Officer. By remunerating the Chief Executives Officer via an issuance of options, the Company aims to align the interests of the Chief Executive Officer with those of shareholders and increase Company performance. The value of Company options issued is disclosed in the directors report on pp. 3 and 4.

2.2.4.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to statutory superannuation.

2.2.5 Current Director Remuneration

The aggregate amount of remuneration paid to Non-Executive Directors as provided for in the company constitution is currently a maximum of up to \$200,000. The directors report provides details of the remuneration received by all of the Company's Directors.

2.3 Nomination Committee

The ASX principles of good corporate governance recommend a minimum of three members to form the composition of the nomination committee with the majority being independent and chaired by an independent director. The board consider that due to the scope and nature of the Company's activities the whole Board which consists of 4 members should undertake this responsibility. As such, the Company does not have a separate nomination committee.

2.3.1 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience in the Company's industry, appropriate to the Company's market. In addition, Directors should have the relevant blend of personal experience in:

- accounting and financial management; and
- CEO-level business experience.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

3. Company Code Of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as a whole. The Company Code of Conduct was adopted by resolution of the Board on 25 August 2004. This Code includes the following.

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's suppliers, competitors and encourages its employees to strive to do the same.

Responsibilities to the Community

As part of the community the Company:

- is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs; and
- encourages all employees to engage in activities beneficial to their local communities.

Responsibility to the Individual

The Company is committed to keeping private information from employees, consumers and investors confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

PREMIUM INVESTORS LIMITED
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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

	Note	16 Sept 2003 to 30 June 2004 \$'000
Revenues from ordinary activities	2	42,678
Expenses from ordinary activities	2	<u>(40,762)</u>
Profit from ordinary activities before income tax income		1,916
Income tax income relating to ordinary activities	3	<u>214</u>
Profit from ordinary activities after related income tax income	11	<u>2,130</u>
Share issue costs	9	(4,225)
Net increase in asset revaluation reserve	10	8,153
Net increase in asset realisation reserve	10	<u>1,406</u>
Total revenues, expenses and valuation adjustments attributable to members of Premium Investors Limited and recognised directly in equity		<u>5,334</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u><u>7,464</u></u>
Basic earnings per share (cents per share)	16	1.24
Diluted earnings per share (cents per share)	16	1.24
Final franked dividends per share (cents per share)	4	1.6
Interim franked dividends per share (cents per share)	4	0.4

The accompanying notes form part of these financial statements.

PREMIUM INVESTORS LIMITED
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Note	30 June 2004 \$'000
CURRENT ASSETS		
Cash assets	12(b)	8,154
Receivables	5	1,762
Tax asset	3	17
Other financial assets	7	52,076
Other	6	<u>183</u>
TOTAL CURRENT ASSETS		<u>62,192</u>
NON-CURRENT ASSETS		
Other financial assets	7	<u>120,400</u>
TOTAL NON-CURRENT ASSETS		<u>120,400</u>
TOTAL ASSETS		<u>182,592</u>
CURRENT LIABILITIES		
Payables	8	3,517
Current tax liabilities	3	<u>361</u>
TOTAL CURRENT LIABILITIES		<u>3,878</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	3	<u>67</u>
TOTAL NON-CURRENT LIABILITIES		<u>67</u>
TOTAL LIABILITIES		<u>3,945</u>
NET ASSETS		<u><u>178,647</u></u>
EQUITY		
Contributed equity	9	167,647
Reserves	10	9,559
Retained profit	11	<u>1,441</u>
TOTAL EQUITY		<u><u>178,647</u></u>

The accompanying notes form part of these financial statements.

PREMIUM INVESTORS LIMITED
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STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

	Note	16 Sept 2003 to 30 June 2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees		(1,319)
Dividends received		1,600
Interest received		2,406
Other income received		35
Net cash provided by operating activities	12(a)	2,722
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets		36,875
Purchase of financial assets		(146,325)
Net cash used in investing activities		(109,450)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares		172,184
Payment of share issue costs		(4,224)
Payment for shares bought-back		(313)
Dividend paid		(689)
Net cash provided by financing activities		166,958
Net increase in cash held		60,230
Cash at beginning of period		-
Cash at end of the reporting period	12(b)	60,230

The accompanying notes form part of these financial statements.

PREMIUM INVESTORS LIMITED
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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements and Urgent Issues Group Consensus Views have also been complied with.

The financial report has been prepared using the valuation methods described below for holdings of securities. All other items have been treated in accordance with the historical cost convention.

(b) Financial assets

(i) Classification

Financial assets classified as Current Assets comprise holdings of securities for short term trading purposes.

Financial assets classified as Non-Current Assets comprise holdings of long-term securities.

(ii) Valuation

Securities are initially brought to account at cost.

Long term investment securities are continuously revalued to current market values. Increments and decrements, are taken to the Asset Revaluation Reserve while it has a positive balance, otherwise they are included in the result from ordinary activities. No provision for any potential capital gains tax liability is made when investments are revalued. Capital gains tax is provided for in the period in which an asset is sold.

On disposal of an investment, any revaluation increment or decrement relating to it is transferred from the Asset Revaluation Reserve to the Asset Realisation Reserve while this reserve has a positive balance, otherwise they are included in the result from ordinary activities.

Market value for the purpose of valuing holdings in securities is determined by reference to market prices prevailing at balance date, where the securities are traded on an organised market. Where a security is not so traded, its fair value is determined by the directors.

(iii) Income from investments

Distributions relating to listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis. Interest is brought to account on an accruals basis.

(c) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days.

PREMIUM INVESTORS LIMITED
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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. Where applicable, an estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(e) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(f) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity 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 as it accrues, taking into account the effective yield on the financial asset.

(h) Taxes

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

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.

PREMIUM INVESTORS LIMITED
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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Taxes (continued)

Goods and Services Tax (GST) (continued)

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.

(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) and preference share 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) and preference share dividends, if any;
- 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, adjusted for any bonus element.

(j) Derivative financial instruments

Exchange traded options are recorded at their market value as determined by reference to the last available price of the security on its primary exchange on the day of valuation.

(k) Rounding of amounts

The Company is of the kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(l) Comparatives

Premium Investors Limited was incorporated on 16 September 2003, and listed on the Australian Stock Exchange on 27 November 2003, hence there are no comparatives shown in the financial report.

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885

NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

16 Sept 2003 to
30 June 2004
\$'000

NOTE 2: REVENUES AND EXPENSES FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax includes the following specific gains and expenses:

(a) Revenue from Ordinary Activities

Revenues from operating activities

Dividend income	2,496
Interest income	2,631
Other income	35
	<hr/>
	5,162

Revenues from non-operating activities

Proceeds on disposal of long term investments	37,516
	<hr/>
	42,678

(b) Expenses from Ordinary Activities

Expenses from operating activities

Administration costs	265
ASX and share registry costs	181
Fund management fees	1,072
Fund performance fees	1,728
	<hr/>
	3,246

Expenses from non-operating activities

Carrying amount of long term investments on disposal	37,516
	<hr/>
	40,762

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NOTES TO THE FINANCIAL REPORT
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	Notes	16 Sept 2003 to 30 June 2004 \$'000
NOTE 3: INCOME TAX		
The prima facie tax on profit and extraordinary items differs from the income tax provided in the financial statements as follows:		
Prima facie tax on profit from ordinary activities		575
Tax effect of permanent differences:		
Non deductible costs		1
Rebateable dividends		(534)
Deductible costs of share issues		<u>(256)</u>
Income tax income attributable to ordinary activities		<u>(214)</u>
<i>Tax assets and liabilities</i>		
Current tax payable		361
Deferred income tax provision		67
Future income tax benefit		17

This future income tax benefit will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the entity in realising the benefit.

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30 June 2004
\$

NOTE 4: DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

Dividends paid or provided for in the current period by
Premium Investors Limited are:

(a) Dividends paid during the period

Current period interim

Fully franked dividends (0.4 cents per share)	688,730
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(b) Final dividends proposed and not recognised as a liability*

Fully franked dividends (1.6 cents per share)	2,749,512
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* Calculation based on the ordinary shares on issue as at 30 June 2004

(c) Franking credit balance

The amount of franking credits available for the subsequent financial period are:

- franking account balance as at the end of the financial period at 30%	196,672
- franking credit that will arise from the payment of income tax payable as at the end of the financial period	360,743
- franking credit that will arise from the receipt of dividends recognised as receivable at the reporting date	263,786
	821,201

The tax rate at which paid dividends have been franked is 30%. Dividend proposed will be franked at the rate of 30%.

PREMIUM INVESTORS LIMITED
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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

	Notes	30 June 2004 \$'000
NOTE 5: RECEIVABLES (CURRENT)		
Dividend receivable		896
Interest receivable		225
Outstanding settlements receivable	5(a)	641
		1,762
 (a) Terms and conditions		
- Outstanding settlements receivable relate to the sale of financial assets and will be settled within 3 days.		
 NOTE 6: OTHER CURRENT ASSETS		
Prepayments		19
GST receivable		161
Sundry debtors		3
		183
 NOTE 7: OTHER FINANCIAL ASSETS		
Cash management account (Current)		52,076
Listed securities at current market value (Non-current)	7(a)	120,400
		172,476
 (a) Terms and conditions relating to the above financial instruments		
(i) Listed securities are readily saleable with no fixed terms. However, it is the directors' intention to hold the investment for the long term.		
(ii) There would be a capital gains tax payable of \$2,508,541 based upon a tax rate of 30% if these assets were sold at the reporting date.		
 NOTE 8: PAYABLES (CURRENT)		
Trade creditors	8(a)	2,018
Outstanding settlements payable	8(a)	1,406
Other creditors and accruals	8(a)	93
		3,517
 (a) Terms and conditions relating to the above financial instruments		
(i) Trade accounts payable are normally settled within 30 days.		
(ii) Other creditors and accruals are non-interest bearing.		
(iii) Outstanding settlements payable relate to the purchase of financial assets and will be settled within 3 days.		

PREMIUM INVESTORS LIMITED
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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

NOTE 9: CONTRIBUTED EQUITY

	Notes	30 June 2004 \$'000
(a) <i>Issued and paid up capital</i>		
Ordinary shares fully paid		167,647
(b) <i>Movements in shares on issue</i>	<u>Number of shares</u>	\$
Beginning of the period	-	-
Issued during the period:		
- public equity raising	172,124,300	172,124,300
less transactions costs	-	(4,224,836)
- options exercised	60,200	60,200
Bought back during the period	(i) <u>(340,000)</u>	<u>(313,040)</u>
End of the period	<u>171,844,500</u>	<u>167,646,624</u>

(i) On 31 May and 2 June 2004, 140,000 and 200,000 fully paid shares respectively were bought back by Premium Investors Limited, representing 0.2% of ordinary shares on issue. This is part of a buy-back plan to effectively manage capital for the benefit of shareholders. The highest price paid was \$0.92 per share and the lowest price paid was \$0.91 per share. The total cost of the buy-back was \$313,040, which was all debited to the contributed equity account. The shares bought-back have been cancelled.

(c) *Share Options*

On 27 November 2003, 172,424,300 options were issued over ordinary shares. Except for options granted to an executive as detailed in Note 15, all options have an exercise date effective from 27 November 2003, an exercise price of \$1.00 and an expiry date of 31 December 2004. During the financial period 60,200 options were exercised.

(d) *Terms and conditions of contributed equity*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

PREMIUM INVESTORS LIMITED
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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

	Notes	30 June 2004 \$'000
NOTE 10: RESERVES		
Asset revaluation	10(a)	8,153
Asset realisation	10(b)	1,406
		9,559
(a) Asset revaluation reserve		
<i>(i) Nature and purpose of reserve</i>		
The asset revaluation reserve includes the net revaluation increments arising from the revaluation of investments as described in accounting policy note 1 (b)(ii).		
<i>(ii) Movements in reserve</i>		
Balance at beginning of the period		-
Revaluation increment on other financial assets		10,185
Transfer to Asset Realisation Reserve of revaluation increments recognised during the period		(2,032)
Balance at end of the period		8,153
(b) Asset realisation reserve		
<i>(i) Nature and purpose of reserve</i>		
The asset realisation reserve includes the gains or losses arising from the disposal of long-term investments as described in accounting policy note 1(b)(ii). As the balance relates to net realised gains it may be used as cash dividends at the discretion of directors.		
<i>(ii) Movements in reserve</i>		
Balance at beginning of the period		-
Transfer from Asset Revaluation Reserve		2,032
Tax on disposal of long term investments		(626)
Balance at end of the period		1,406

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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
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16 Sept 2003 to
30 June 2004
\$'000

NOTE 11: RETAINED PROFIT

Retained profit at the beginning of the period	-
Net profit attributable to members of Premium Investors Limited	2,130
Dividends paid	(689)
Retained profit at end of the period	1,441

NOTE 12: NOTES TO THE STATEMENT OF CASH FLOWS

<i>(a) Reconciliation of the profit from ordinary activities after related income tax to the net cash flows from operations</i>	
Profit from ordinary activities after related income tax	2,130
Capital gains tax provision included in Asset Realisation Reserve	(626)
Changes in assets and liabilities	
(Increase) / decrease in dividend receivable	(896)
(Increase) / decrease interest receivable	(225)
(Increase) / decrease in future income tax benefit	(17)
(Increase) / decrease in prepayments	(19)
(Increase) / decrease in sundry debtors	(3)
(Increase) / decrease in GST receivable	(161)
Increase / (decrease) in trade creditors	2,018
Increase / (decrease) in other creditors and accruals	93
Increase / (decrease) in tax liabilities	428
Net cash flow from operating activities	2,722
<i>(b) Reconciliation of cash and cash equivalent</i>	
Cash balance comprises	
Cash assets	8,154
Other financial assets – cash management account	52,076
Closing cash balance	60,230
<i>(c) Financing facilities available</i>	

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

NOTE 13: SEGMENT INFORMATION

The company operates in one business segment, being investing, solely in Australia.

PREMIUM INVESTORS LIMITED
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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

NOTE 14: COMMITMENTS

On 10 October 2003, the Company and Treasury Group Investment Services Limited (the “Manager”) entered into a 25 year Management Agreement (the “Agreement”), appointing the Manager exclusively as its agent to manage generally the Company and to invest and manage all of the money, securities and other investment of the Company in accordance with the Agreement.

NOTE 15: EXECUTIVE OPTION PLAN

The Company has executed a deed in favour of its Chief Executive Officer, under which it has agreed to issue the following options:

	No. of options 2004
Balance at beginning of period	-
- Granted during the period	300,000
Balance at end of period	<u>300,000</u>
 Exercisable at end of period	 <u>-</u>

The options cannot be transferred and will not be quoted on the ASX.

Grant Date	Exercise Date	Expiry Date	Exercise Price	Balance 16 Sept 2003	Movement in number of options:	Balance 30 June 2004
					Issued	
27/11/2003	1/1/2005	31/12/2007	\$1.00	-	100,000	100,000
27/11/2003	1/1/2006	31/12/2007	\$1.05	-	100,000	100,000
27/11/2003	1/1/2007	31/12/2007	\$1.10	-	100,000	100,000
<u>-</u>					<u>300,000</u>	<u>300,000</u>

PREMIUM INVESTORS LIMITED
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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
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NOTE 16: EARNINGS PER SHARE

	16 Sept 2003 to 30 June 2004 \$'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:	
Profit from ordinary activities after related income tax	<u>2,130</u>
Earnings used in calculating basic and diluted earnings per share	<u>2,130</u>
	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	172,123,679
Effect of dilutive securities:	
Dilutive effect of potential ordinary shares	<u>-</u>
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u>172,123,679</u>

PREMIUM INVESTORS LIMITED
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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

NOTE 17: DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executive

(i) Specified directors

Rodney Green	Chairman (non-executive)
Joel Bloom	Director (non-executive)
Kenneth Stout	Director (non-executive)
Robert Kipp	Director (executive)
Timothy Poole	Director (non-executive), resigned on 6 October 2003

(ii) Specified executives

Graham Putt	Chief Executive Officer
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(b) Remuneration of Specified Directors and Specified Executive

(i) Remuneration Policy

The Board of Directors of Premium Investors Limited is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments 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 and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash, statutory superannuation and other items. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

PREMIUM INVESTORS LIMITED
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NOTES TO THE FINANCIAL REPORT
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NOTE 17: DIRECTORS AND EXECUTIVE DISCLOSURES (Cont'd)

(b) Remuneration of Specified Directors and Specified Executive (Cont'd)

(ii) Remuneration of Specified Directors and Specified Executive

	<u>Primary</u>		Non-Monetary Benefits	<u>Post Employment</u>		<u>Equity</u>	<u>Other</u>	Total
	Salary & Fees	Cash Bonus		Superannuation	Retirement Benefits	Options	Bonuses	
	\$	\$	\$	\$	\$	\$	\$	\$
Specified Directors								
Rodney Green	-	-	-	-	-	-	-	-
Joel Bloom	13,761	-	-	1,239	-	-	-	15,000
Kenneth Stout	16,500	-	-	-	-	-	-	16,500
Robert Kipp	-	-	-	-	-	-	-	-
Timothy Poole	-	-	-	-	-	-	-	-
Total:	30,261	-	-	1,239	-	-	-	31,500
Specified Executive								
Graham Putt	-	-	-	-	-	7,643	-	7,643
Total:	-	-	-	-	-	7,643	-	7,643

(c) Remuneration options: Granted and vested during the period

During the financial period options were granted as equity compensation benefits to the specified executive as disclosed below. The options were not transferable and issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at various exercise prices, provided that the executive is in service.

	Vested Number	Granted Number	Grant Date	Terms and Conditions for Each Grant			
				Value per option at grant date	Exercise price per option	First Exercise Date	Last Exercise Date
				\$	\$		
Specified Executive							
Graham Putt	-	100,000	27/11/2003	\$0.203	\$1.00	01/01/2005	31/12/07
Graham Putt	-	100,000	27/11/2003	\$0.167	\$1.05	01/01/2006	31/12/07
Graham Putt	-	100,000	27/11/2003	\$0.133	\$1.10	01/01/2007	31/12/07
Total	-	300,000					

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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

NOTE 17: DIRECTORS AND EXECUTIVE DISCLOSURES (Cont'd)

(d) Option holdings of specified directors and specified executives

	Balance at 27 November 2003 [@]	Granted as Remunera tion	Options Exercised	Balance at end of period (30 June 2004)	Vested at 30 June 2004		
					Total Vested	Not Exercisable	Exercisable
Specified Directors							
Rodney Green	50,000 [#]	-	-	50,000	50,000	-	50,000
Joel Bloom	200,000 [#]	-	-	200,000	200,000	-	200,000
Kenneth Stout	-	-	-	-	-	-	-
Robert Kipp	30,000 [#]	-	-	30,000	30,000	-	30,000
Timothy Poole	-	-	-	-	-	-	-
Specified Executives							
Graham Putt	-	300,000	-	300,000	-	-	-
Total	280,000	300,000	-	580,000	280,000	-	280,000

(e) Shareholdings of Specified Directors and Specified Executives

*Ordinary
shares held in
Premium
Investors Ltd
(number)*

	Balance 27 November 2003 [@]	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2004
Specified Directors					
Rodney Green	50,000 [#]	-	-	-	50,000
Joel Bloom	200,000 [#]	-	-	-	200,000
Kenneth Stout	-	-	-	-	-
Robert Kipp	30,000 [#]	-	-	-	30,000
Timothy Poole	-	-	-	-	-
Specified Executives					
Graham Putt	10,000 [#]	-	-	29,000	39,000
Total	290,000	-	-	29,000	319,000

All equity transactions with specified directors and the specified executive other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

[@] The directors and executive had no options nor ordinary shares until 27 November 2003 when the company was officially listed on the Australian Stock Exchange.

[#] Directors and executives acquired the options and ordinary shares during the Initial Public Offering.

PREMIUM INVESTORS LIMITED
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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
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NOTE 17: DIRECTORS AND EXECUTIVE DISCLOSURES (Cont'd)

(f) Other transactions and balances with specified directors and the specified executive

Fund management & performance fees

During the period, Premium Investors Limited paid fund management & performance fees of \$2,800,334 to Treasury Group Investment Services Ltd, a wholly-owned subsidiary of Treasury Group Limited, a company of which Rodney Green is a director. Dealings were on commercial terms and conditions.

Services

During the period, Premium Investors Limited paid management fees, accounting fees and compliance fees of \$73,205 to Treasury Group Investment Services Ltd, a wholly-owned subsidiary of Treasury Group Limited, a company of which Rodney Green is a director. Dealings were on commercial terms and conditions.

Payable

Amounts owing to the director related entity in respect of fund management fees and service fees at the end of the period totalled \$2,081,515.

16 Sept 2003 to
30 June 2004
\$

NOTE 18: AUDITORS' REMUNERATION

Amounts received or due and receivable by Pitcher Partners for:

- Audit and review of the financial report	20,000
- Other services in relation to the entity	15,065
	<hr/>
	35,065

PREMIUM INVESTORS LIMITED
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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
30 JUNE 2004

NOTE 19: FINANCIAL INSTRUMENTS

(a) Interest rate risk

The entity's exposure to interest rate risk and the effective weighted interest rate for classes of financial assets and financial liabilities are set out below:

30 June 2004	Floating interest rate \$'000	Non-interest bearing \$'000	Fixed interest rate 0 – 1 year \$'000	Total carrying amount as per Statement of Financial Position \$'000	Weighted average interest rate
Financial assets					
Cash assets	51,721	512	-	52,233	5.13%
Short term deposits	-	-	7,997	7,997	5.19%
Listed securities	-	120,400	-	120,400	N/A
Dividends receivable	-	896	-	896	N/A
Other receivables	-	866	-	866	N/A
TOTAL	51,721	122,674	7,997	182,392	
Financial liabilities					
Trade creditors	-	2,018	-	2,018	N/A
Other creditors and accruals	-	1,499	-	1,499	N/A
TOTAL	-	3,517	-	3,517	

N/A – not applicable for non-interest bearing financial instruments

(b) Net fair values

All financial assets and liabilities have been recognised at the reporting date at net fair value.

(i) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables, trade creditors and dividends receivable: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Non-current investments/securities: For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability.

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NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
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NOTE 19: FINANCIAL INSTRUMENTS (Cont'd)

(c) Credit risk exposures

The entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position. The entity minimises concentration of credit risk in relation to investments by undertaking transactions with a number of counterparties which are recognised banks, cash management trust or members of the Australian Stock Exchange.

The entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the entity.

NOTE 20: IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Premium Investors Limited ("Premium") has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, Premium has graded impact areas as either high, medium or low and has established dedicated project teams to address each of the areas in order of priority as represented by the gradings. An IFRS steering committee has been established by Treasury Group Investment Services Limited, the manager appointed under the Management Agreement as disclosed in note 14 to the financial statements, to oversee the progress of each of the project teams and make necessary decisions. As Premium has a 30 June year end, priority has been given to considering the preparation of an opening Statement of Financial Position in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Premium prepare its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Premium. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables- measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale and securities – measured at fair value with fair value changes taken to equity and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

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NOTE 20: IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (CONT'D)

Share based payments

Under AASB 2 *Share based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of the change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Income taxes

Under the Australian equivalent to IAS 12 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The most significant impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains tax effects of asset revaluations were not recognised. It is not expected that there will be any further material impact as a result of adoption of this standard.

NOTE 21: SUBSEQUENT EVENTS

On 25 August 2004, the directors of Premium Investors Limited declared a final dividend on ordinary shares in respect of the financial period from 16 September 2003 (date of incorporation) to 30 June 2004. The total amount of the dividend is \$2,749,512, which represents a fully franked dividend of 1.6 cents per share. The dividend has not been provided for in the 30 June 2004 financial statements.

PREMIUM INVESTORS LIMITED
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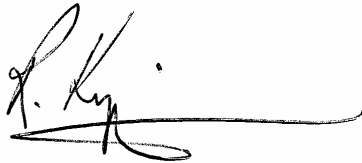
DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 14 to 35 are in accordance with the Corporations Act 2001:

- (a) Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) Give a true and fair view of the financial position of the entity as at 30 June 2004 and of its performance as represented by the results of its operations and its cash flows, for the period from 16 September 2003 (date of incorporation) to 30 June 2004.

In the directors' opinion there are reasonable grounds to believe that Premium Investors Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'R. Kipp', with a long horizontal flourish extending to the right.

ROBERT KIPP
Director

Melbourne
25 August 2004

**PREMIUM INVESTORS LIMITED
ABN 47 106 259 885
INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
PREMIUM INVESTORS LIMITED**

Scope

We have audited the financial report of Premium Investors Limited for the financial period ended 30 June 2004 comprising the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements.

The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Premium Investors Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the financial period ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional requirements in Australia.

PITCHER PARTNERS



M W PRINGLE

Partner

Melbourne 25 August 2004