

Premium



Investors Limited

Chairman's Report

Financial and Operating results for half year ended 31 December 2003

Dear Shareholders,

It is with great pleasure that I write the inaugural Chairman's report for Premium Investors as an operating company.

As you would be aware Premium is an investment company specialising in the management of predominantly Australian marketable securities. The company's assets are managed by Treasury Group, a group that specialises in the investment and support of a diverse range of high quality boutique managers. Treasury has selected four such fund managers, namely Investors Mutual, Orion Asset Management, Confluence Asset Management and Armytage Private to manage Premium's assets. It is through this diversity of multiple, high quality, boutique fund managers that the Board of Premium expects Premium's assets to grow over time.

Financial Results

The board of directors of Premium Investors is pleased to report that the company earned a profit after tax of \$737,000 for the very short operating period of five weeks. Earnings per share for the period were 0.43 cents per share. Although the company only listed on the Australian Stock Exchange on the 27th November 2003 we are pleased to declare a dividend for the period to 31st December 2003 of 0.4 cents per share fully franked. This dividend will be paid on 31 March 2004. The shares are expected to trade ex dividend on 3 March 2004 and the record date to establish shareholder dividend entitlements is 10 March 2004.

The board understands that the dividend policy of a company of this nature is crucial to our shareholders. In this regard Premium's dividend policy will be to provide shareholders with an attractive dividend stream that can grow steadily over time. The actual dividend paid will depend on the level of underlying dividends received in the Premium portfolio, the level of realised profits and losses, interest received and expenses associated with the management of the company.

Therefore, going forward the Board anticipates that dividends will increase in line with our indicated dividend policy and will also reflect the full earnings and investment period.

Net Asset Backing or Net Tangible Assets (NTA)

In evaluating our financial results it is important for investors to appreciate that the net tangible assets (NTA) released monthly by Premium to the ASX is also a very important and useful ongoing tool in understanding the financial and investment performance of the company. Reported profits as indicated above simply reflect the results of realised profits or losses on individual securities and do not indicate the level of unrealised profits or losses.

The NTA is an excellent guide to the total underlying portfolio value. In this regard I am pleased to report that the NTA after costs of portfolio realisation has risen in each monthly period from 97.5cents on listing date to 99.2cents at 31 Dec 2003 and 99.7cents at 31 Jan 2004 (these calculations are before providing for the dividend payment)

Investment Portfolio

Premium listed on the Australian Stock Exchange on 27 November 2003. The investible funds were allocated as follows:

Investors Mutual Limited	40%
Orion Asset Management Limited	30%
Confluence Asset Management Limited	15%
Armytage Private Limited	15%

The fund managers selected for Premium have focused on investing for the medium to long term ensuring they buy quality companies at an appropriate price.

Accordingly, as at 31 December 2003, 45% of the investable funds had been invested and we expect this figure to increase over the coming months as appropriate opportunities arise.

Share price versus NTA

For the period 24 November 2003 to 31 January 2004, the Premium portfolio earned a gross return of 2.58% which is 1.22% above the benchmark being the UBS Warburg Australian Bank Bill index plus 2% p.a

Premium has been listed for almost 12 weeks and as at 31 January 2004, was trading at an 8% discount to its underlying NTA (after adjustment for tax).

Whilst we are disappointed at the current discount of the share price to NTA this discount can be explained by several factors:

- short term investors expecting an immediate profit exiting the stock on listing;
- the rapid proliferation of new stock issues and other new LIC's causing some indigestion; and
- demand for Premium not coming through until the market understands the performance of the company and its dividend policy, (i.e. getting to know the stock)

As these issues are short term in nature, the Directors remain confident that Premium will prove to be a solid long term investment and that its share price will over time, be more reflective of the underlying value of the assets held by the company.

In following on progress and understanding the make up of the investments I urge shareholders to regularly refer to our website (www.premiuminvestors.com.au). We intend to keep you well updated on a regular basis via this channel. You will be in a position to track our monthly NTA and compare that to the current market price

In summary, we believe that Premium is a unique listed vehicle providing access to a range of specialist managers with differing styles – with an absolute return focus, attractive dividend yield and the flexibility of investing with specialist boutique fund managers, we believe, Premium will provide attractive long term returns to our shareholders.

Appendices

TOP 15 HOLDINGS BY MARKET VALUE

	Market Value	Dividend Yield (Historic)
WESTPAC BANK	\$ 6,021,146.00	5.00%
ANZ BANK	\$ 5,741,456.00	5.77%
NATIONAL AUST BANK	\$ 4,798,349.00	5.54%
COMMONWEALTH BANK	\$ 4,447,716.00	5.77%
TELSTRA CORPORATION	\$ 3,807,800.00	4.98%
AMCOR LIMITED	\$ 2,973,600.00	3.63%
ST GEORGE BANK LTD	\$ 2,746,380.00	5.13%
TRANSURBAN GROUP	\$ 2,096,200.00	4.48%
BHP BILLITON LTD	\$ 1,613,395.00	1.87%
FOSTER'S GROUP LTD	\$ 1,530,000.00	4.67%
TELECOM NZ FPO NZ	\$ 1,504,512.00	1.92%
CENTENNIAL COAL	\$ 1,438,880.00	3.64%
HILLS MOTORWAY GROUP	\$ 1,184,552.00	5.75%
IINET LIMITED	\$ 1,173,920.00	2.76%
QANTAS AIRWAYS LTD	\$ 1,148,911.00	5.47%
	Weighted Average Yield	4.82%

OVERVIEW OF FUND MANAGERS

INVESTORS MUTUAL LIMITED

Investors Mutual commenced business in 1998 with Anton Tagliaferro as a founder and Investment Director. In August 2001, Treasury Group acquired a 50% interest in Investors Mutual when assets under management were around \$350 million. Since that time, Investors Mutual Limited has continued to grow strongly with funds under management rising to over \$3.0 billion at 31 January 2004.

Investors Mutuals strength and success was recognised at the prestigious Money Management/ASSIRT awards in May 2003 where it was awarded the Australian Equities Fund Manager of the Year award for the second successive year. Investors Mutual also received the inaugural Money Management/ASSIRT Rising Star award. The award represented a further important milestone for Investors Mutual in terms of industry wide recognition and prospects.

Investors Mutual is a specialist “value” investment manager. 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 seeks to buy companies that have a competitive advantage, recurring earnings and the potential to grow over time at a reasonable price.

ORION ASSET MANAGEMENT LIMITED

Orion is headed by Tim Ryan who has a long and distinguished track record in the Australian share market. In his previous role with Credit Suisse Asset Management, Tim presided as 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 31 January 2004 had funds under management of over \$500 million. Orion has also successfully concluded a retail distribution alliance for the distribution of its products into the financial planning and retail market.

CONFLUENCE ASSET MANAGEMENT LIMITED

Confluence is a newly established 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. Confluence focuses on the business structure, quality of management and governance issues. Whilst Confluence uses many different information sources, Confluence sees the on site company visit program as the backbone of its research.

ARMYTAGE PRIVATE LIMITED

Armytage is a private investment manager that provides an institutional style of professional discretionary 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. Where applicable, Armytage often uses the options market in these stocks to increase overall portfolio return through a 'buy and write' strategy. 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 private has grown consistently and currently has over 40 clients comprising nearly \$ 100 million funds under management.

Appendix 4D

1. Interim report

Name of entity

Premium Investors Limited

ABN:

47 106 259 885

Report for the period

16 September 2003 to 31 December 2003

2. Results for announcement to the market

				<u>A\$'000s</u>
Revenues from ordinary activities (<i>item 2.1</i>)	up/down	100%	to	1,993
Profit (loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up/down	100%	to	737
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	up/down	100%	to	737
Dividends (<i>item 2.4</i>)				
It is proposed to pay interim fully franked dividends of 0.4 cents per share.				
Payment Date: 31 March 2004				
Record date for determining entitlements to the dividend (<i>item 2.5</i>)		10 March 2004		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):				
For details, please refer to the attached Financial Report for the period from 16 September 2003 to 31 December 2003. Also, please see attached Chairman Address for detailed commentary.				

2. Net tangible assets per security (item 3)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	99.2¢	N/A

3. Dividends (item 5)

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2004	31 March 2004	\$688,730

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Interim dividend: Current year	0.40¢	100%	-¢
Previous year	0.00¢	-%	-¢

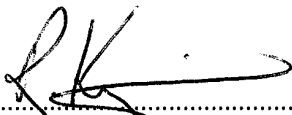
4. The information provided in the Appendix 4D is based on the interim financial report (attached), which has been prepared in accordance with Australian accounting standards (item 8).

5. The interim financial report is not subject to audit dispute or qualification.

Periodic Disclosure Requirements Compliance Statement

- 1 An interim report for the half-year ended 31 December 2003 is provided with the Appendix 4D information.
- 2 The interim report has been prepared in accordance with AASB 1029 Interim Financial Reporting.
- 3 The interim report and information provided in Appendix 4D uses the same accounting policies as those applied at 30 June 2003.
- 4 The Appendix 4D information gives a true and fair view of the matters disclosed in the interim financial report.
- 5 The Appendix 4D information is based on the interim financial report, which has been subject to review.
- 6 The audit report or review by the auditor is provided with the interim financial report.

Sign here:


.....
(Company Secretary)

Date: 24 February 2004

Print name: Robert Kipp

Premium Investors Limited

ABN 47 106 259 885

**INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003**

**PREMIUM INVESTORS LIMITED
INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003**

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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 31 December 2003 and independent review report thereon.

Directors Names

The names of the directors in office at any time during the period from 16 September 2003 (date of incorporation) to 31 December 2003 or since then are as follows. Directors were in office for this entire period unless otherwise stated.

Name

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

Kenneth Stout (appointed on 16 September 2003)

Joel Bloom (appointed on 30 September 2003)

Robert Kipp (appointed on 8 October 2003)

Timothy Poole (appointed on 16 September 2003 and resigned on 6 October 2003)

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	-	-
Timothy Poole	-	-

Earnings Per Share

	Cents
Basic earnings per share	0.43
Diluted earnings per share	0.43

Dividends

	Cents	\$
Interim dividend proposed	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 principle 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 31 December 2003.

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885

DIRECTORS' REPORT (Continued)

Operating Results for the Period from 16 September 2003 (date of incorporation) to 31 December 2003

The profit of the company for the period after providing for income tax amounted to \$736,998.

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 172,366,100 unissued ordinary shares under options (172,424,300 at reporting date). Further details of the options outstanding to executives and directors are included in Note 14 and Note 18 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.

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 is as follows:

	Emoluments Directors Fees \$
R. Green	-
J. Bloom	5,000
R. Kipp	-
K. Stout	5,500
T. Poole	-

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885

DIRECTORS' REPORT (Continued)

Directors' Meetings

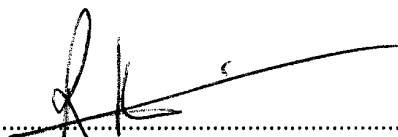
The number of meetings of directors (including meetings of committees of directors) held during the financial period and the number of meetings attended by each director were as follows:

	Directors Meeting
Number of meetings held:	4
Number of meetings attended:	
R. Green	4
J. Bloom	3
R. Kipp	4
K. Stout	4
T. Poole	1

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.

Signed in accordance with a resolution of the directors:

Director

ROBERT KIPP

Dated this 24th day of February 2004

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
31 DECEMBER 2003

	Note	16 Sept 2003 to 31 Dec 2003 \$'000
Revenues from ordinary activities	2	1,993
Expenses from ordinary activities	2	<u>(1,284)</u>
Profit from ordinary activities before income tax expense		709
Income tax benefit relating to ordinary activities	3	<u>28</u>
Net profit		<u>737</u>
Net increase in asset revaluation reserve	10	<u>2,362</u>
Total revenues, expenses and valuation adjustments attributable to members of Premium Investors Limited and recognised directly in equity		<u>2,362</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>3,099</u>
Basic earnings per share (cents)		0.43
Diluted earnings per share (cents)		0.43

The accompanying notes form part of these financial statements.

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003

	Note	31 Dec 2003 \$'000
CURRENT ASSETS		
Cash assets	12(b)	95,220
Receivables	5	782
Other	6	<u>395</u>
TOTAL CURRENT ASSETS		<u>96,397</u>
NON-CURRENT ASSETS		
Financial assets	7	75,801
Deferred tax assets	3	<u>222</u>
TOTAL NON-CURRENT ASSETS		<u>76,023</u>
TOTAL ASSETS		<u>172,420</u>
CURRENT LIABILITIES		
Payables	8	<u>1,223</u>
TOTAL CURRENT LIABILITIES		<u>1,223</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	3	<u>194</u>
TOTAL NON-CURRENT LIABILITIES		<u>194</u>
TOTAL LIABILITIES		<u>1,417</u>
NET ASSETS		<u>171,003</u>
EQUITY		
Contributed equity	9	167,904
Reserves	10	2,362
Retained profit	11	<u>737</u>
TOTAL EQUITY		<u>171,003</u>

The accompanying notes form part of these financial statements.

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION) TO
31 DECEMBER 2003

	Note	16 Sept 2003 to 31 Dec 2003 \$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Payments to suppliers and employees		(371)
Dividends received		44
Interest received		423
Net cash provided by operating activities	12(a)	96
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets		744
Purchase of financial assets		(73,524)
Net cash used in investing activities		(72,780)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares		172,124
Payment of share issue costs		(4,220)
Net cash provided by financing activities		167,904
Net increase in cash held		95,220
Cash at beginning of period		-
Cash at end of the reporting period	12(b)	95,220

The accompanying notes form part of these financial statements.

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003

NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT

This general purpose interim financial report has been prepared in accordance with Accounting Standard AASB 1029 'Interim Financial Reporting', Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It is recommended that this financial report be read in conjunction with any public announcements made by Premium Investors Limited during the financial period in accordance with any continuous disclosure obligations arising under the Corporations Law.

(a) Basis of accounting

The interim 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 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
ABN 47 106 259 885

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003

NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT (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
ABN 47 106 259 885

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003

NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT (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. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority, are 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, if any.

(j) 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.

(k) 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 INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003

16 Sept 2003 to
31 Dec 2003
\$'000

NOTE 2: REVENUE AND EXPENSE FROM ORDINARY ACTIVITIES

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

<i>(a)</i>	<i>Revenues from operating activities</i>	
	Proceeds on disposal of investments	929
	Dividend income	165
	Interest income	899
		1,993
<i>(b)</i>	<i>Expenses from operating activities</i>	
	Administration costs	66
	ASX and share registry costs	66
	Carrying amount of investments on disposal	971
	Fund management fees	181
		1,284

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	212
Tax effect of permanent differences:	
Non assessable capital loss	13
Assessable costs of share issue	(253)
Income tax benefit attributable to ordinary activities	(28)
<i>Deferred tax assets and liabilities</i>	
Current tax payable	-
Deferred income tax provision	194
Future income tax benefit	222

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.

PREMIUM INVESTORS LIMITED
ABN 47 106 259 885

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003

31 Dec 2003
\$

NOTE 4: DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

Dividends paid or provided for in the current and comparative periods by Premium Investors Limited are:

(a) Dividends proposed and recognised as a liability

Final fully franked dividends

-

(b) Dividends paid during the half-year

Final fully franked dividends

-

(c) Interim dividends proposed and not recognised as a liability*

Interim fully franked dividends (0.4 cents per share)

688,730

* Calculation based on the ordinary shares on issue as at 31 January 2004

31 Dec 2003
\$'000

NOTE 5: RECEIVABLES

Dividend receivable

121

Interest receivable

476

Outstanding settlements receivable

185

782

Outstanding settlements receivable relate to the sale of financial assets and will be settled within 3 days.

NOTE 6: OTHER CURRENT ASSETS

Prepayments

65

GST receivable

330

395

NOTE 7: FINANCIAL ASSETS

Listed shares at current market value

75,801

75,801

PREMIUM INVESTORS LIMITED
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NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003

31 Dec 2003
\$'000

NOTE 8: PAYABLES

Trade creditors	160
Outstanding settlements payable	886
Other creditors and accruals	177
	1,223

Trade accounts payable are normally settled within 30 days.

Outstanding settlements payable relate to the purchase of financial assets and will be settled within 3 days.

NOTE 9: CONTRIBUTED EQUITY

\$'000

<i>(a) Issued and paid up capital</i>		
Ordinary shares fully paid		167,904
<i>(b) Movements in shares on issue</i>	<u>Number of shares</u>	\$
Beginning of the period	-	-
Issued during the period:		
Initial shares issued	172,124,300	172,124,300
Less: transaction costs	-	(4,220,653)
End of the period	172,124,300	167,903,647

(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 14, 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. There were no movements in options during the financial period.

(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.

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NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003

31 Dec 2003
\$'000

NOTE 10: RESERVES

Asset revaluation reserve	2,362
 <i>Nature and purpose of reserves</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>Movements during the period</i>	
Balance at beginning of the period	-
Revaluation increment on:	
Financial assets	2,362
Balance at end of the period	2,362

NOTE 11: RETAINED PROFIT

Retained profit at the beginning of the period	-
Net profit attributable to members of Premium Investors Limited	737
Retained profit at end of the period	737

16 Sept 2003 to
31 Dec 2003
\$'000

NOTE 12: NOTES TO THE STATEMENT OF CASH FLOWS

<i>(a) Reconciliation of the net profit after tax to the net cash flows from operations</i>	
Net profit	737
Non-Cash items	
Net loss on disposal of investments	42
Changes in assets and liabilities	
(Increase) / decrease in dividend receivable	(121)
(Increase) / decrease interest receivable	(476)
(Increase) / decrease in future income tax benefit	(222)
(Increase) / decrease in prepayments	(65)
(Increase) / decrease in GST receivable	(330)
Increase / (decrease) in trade creditors	160
Increase / (decrease) in other creditors and accruals	177
Increase / (decrease) in tax provision	194
Net cash flow from operating activities	96

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NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003

31 Dec 2003
\$'000

NOTE 12: NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of cash

Cash balance comprises

Cash assets

95,220

Closing cash balance

95,220

(c) Financing facilities available

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

NOTE 13: SEGMENT INFORMATION

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

NOTE 14: 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:

	2003
Balance at beginning of period	-
- Granted during the period	<u>300,000</u>
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 27 Nov 2003	Movement in number of options:		Balance 31 Dec 2003
					Issued		
27/11/2003	1/1/2005	31/12/2007	\$1.00	100,000	100,000		100,000
27/11/2003	1/1/2006	31/12/2007	\$1.00	100,000	100,000		100,000
27/11/2003	1/1/2007	31/12/2007	\$1.00	100,000	100,000		100,000
				<u>300,000</u>	<u>300,000</u>		<u>300,000</u>

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NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003

NOTE 15: EARNINGS PER SHARE

	16 Sept 2003 to 31 Dec 2003 \$'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:	
Net profit	737
	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	172,124,300
Effect of dilutive securities:	
Dilutive effect of potential ordinary shares	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	172,124,300

NOTE 16: REMUNERATION OF DIRECTORS

	16 Sept 2003 to 31 Dec 2003 \$
Income paid or payable, or otherwise made available, in respect of the financial period, to all directors of Premium Investors Limited, directly or indirectly, from the entity or any related party:	10,500
The number of directors of Premium Investors Limited whose income (including superannuation contributions) falls within the following bands is:	No.
\$0 - \$9,999	5

NOTE 17: AUDITORS' REMUNERATION

	16 Sept 2003 to 31 Dec 2003 \$
Amounts received or due and receivable by Pitcher Partners for:	
Accrual for review of the interim financial report	6,000
Other services in relation to the entity	10,575
	16,575

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NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003

NOTE 18: RELATED PARTIES

The directors of Premium Investors Limited during the period were:

- Rodney Green (Chairman) (appointed on 16 September 2003)
- Kenneth Stout (appointed on 16 September 2003)
- Joel Bloom (appointed on 30 September 2003)
- Robert Kipp (appointed on 8 October 2003)
- Timothy Poole (appointed on 16 September 2003 and resigned on 6 October 2003)

Transactions with director-related entity

Fund management fees

During the period, Premium Investors Limited paid fund management fees of \$181,442 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 \$12,171 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 director related entities in respect of fund management fees and service fees at the end of the period totalled \$306,262.

Equity instruments of directors

Interests at reporting date

Interests in the equity instruments of Premium Investors Limited held by directors of the entity and their director-related entities:

	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	-	-

Movements in directors' equity holdings

- (a) During the period, the above shares were acquired during the initial public offering of shares.
- (b) All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

PREMIUM INVESTORS LIMITED
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NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD FROM 16 SEPTEMBER 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003

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:

31 December 2003	Floating interest rate \$'000	Non-interest bearing \$'000	Total carrying amount as per Statement of Financial Position \$'000	Weighted average interest rate
Financial assets				
Cash assets	95,220	-	95,220	4.72%
Receivables	-	782	782	N/A
Financial assets	-	75,801	75,801	N/A
TOTAL	95,220	76,583	171,803	
Financial liabilities				
Accounts payable	-	1,223	1,223	N/A
TOTAL	-	1,223	1,223	

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.

(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 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: COMMITMENTS

On 10 October 2003, the Company and Treasury Group Investment Services Limited (the "Manager") entered into a 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.

The Agreement will continue in force for a period of 25 years. The Company can only terminate the Agreement if a termination fee is paid to the Manager, which is equal to 12 times the base fee is payable to the Manager for the second last month of the term of the Management Agreement and which is payable within 7 days from the date of termination.

PREMIUM INVESTORS LIMITED
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DIRECTORS' DECLARATION

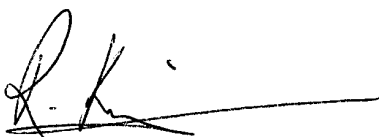
The directors declare that the financial statements and notes set out on pages 4 to 17 are in accordance with the Corporations Act 2001:

- (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 31 December 2003 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 31 December 2003.

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.

ROBERT KIPP
Director

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

Melbourne
24 February 2004

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

Scope

We have reviewed the financial report of Premium Investors Ltd for the half-year ended 31 December 2003 as set out on pages 4 to 18. The directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.


Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Premium Investors Ltd is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the entity's financial position as at 31 December 2003 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory professional reporting requirements in Australia.

Dated at Melbourne on 24 February 2004


PITCHER PARTNERS


M W PRINGLE
Partner