

# Appendix 4E

## 1. Preliminary final report

Name of entity

Premium Investors Limited
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ABN:	47 106 259 885
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Report for the year ended	30 June 2006
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## 2. Results for announcement to the market

Revenues from continuing operations ( <i>item 2.1</i> )	up/down	1%	to	A\$'000s \$10,543
Profit (loss) from continuing operations after tax attributable to members ( <i>item 2.2</i> )	up/down	1%	to	\$22,160
Net profit (loss) for the period attributable to members ( <i>item 2.3</i> )	up/down	1%	to	\$22,160
<b>Dividends (<i>item 2.4</i>)</b>				
It is proposed to pay a final fully franked dividend of 4.0 cents per share.				
Payment Date: 29 September 2006				
Fully franked interim dividend of 4.0 cents per share paid 31 March 2006.				
Fully franked final dividend of 4.0 cents per share in respect the year ended 30 June 2005 paid 30 September 2005.				
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	4 September 2006			
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 2006. Also, please see attached Chairman Address for detailed commentary.				

**3. Dividends** *(item 6)*

	<b>Date of payment</b>	<b>Total amount of dividend</b>
Final dividend – period ended 30 June 2006	29 September 2006	\$8,015,181
Interim dividend – period ended 30 June 2006	31 March 2006	\$7,923,832
Final dividend – period ended 30 June 2005	30 September 2005	\$7,860,655

**Amount per security**

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign sourced dividend
<b>Final dividend:</b> Year ended 30 June 2006	4.0¢	100%	-¢
<b>Interim dividend:</b> Year ended 30 June 2006	4.0¢	100%	-¢
<b>Final Dividend:</b> Year ended 30 June 2005	4.0¢	100%	-¢

**4. Net tangible assets per security** *(item 9)*

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	113.2¢	110.5¢

**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 2006 annual report.**

**Periodic Disclosure Requirements Compliance Statement**

- 1 An annual report for the year ended 30 June 2006 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: 22 August 2006  
(Company Secretary)

Print name: Leah Watson

### Chairman's Address

#### Financial Highlights

- Profits from continuing operations \$22,160,000 up 1%
- Net tangible assets per share after tax and provision for tax on unrealised gains, 113.2 cents up from 110.5 cents
- Final dividend maintained at 4 cents per share, payable 29<sup>th</sup> September 2006
- Full year dividend of 8 cents per share.
- Dividend Reinvestment Plan continues at 2.5% discount
- Share Purchase Plan which allows investors to purchase an additional \$2,500 of shares at the same price at the Dividend Reinvestment Plan introduced

#### Overview of Operations and Results

On behalf of the Board, I take pleasure in presenting the company's results for the year which ended on 30th June 2006. This is the first full year we have reported under the Australian equivalents to International Financial Reporting Standards (AIFRS) and the results from the preceding year have been adapted to the new standards to provide you with a basis for comparison.

The essential difference between AIFRS and the previous reporting standards is that all changes in the value of investments and other assets are immediately brought to account after provisions for tax that would need to be paid. Under previous accounting standards, changes in the value of investments were recorded in the Asset Revaluation and Asset Realisation reserves. Your Board believes that the new standards provide a clearer picture of performance to shareholders and since earnings per share now align closely with changes in net tangible assets after tax per share, shareholders are updated on the company's performance each month. We notify the ASX of the net tangible assets per share each month and lodge the notice on our website by the 14<sup>th</sup> day of the next month.

The names of some of the Financial Accounts have also been changed and what was once called the Profit and Loss Statement, and then called the Statement of Financial Performance is now called the Income Statement. The Statement of Financial Position is once again a Balance Sheet, and the Cashflow Statement is unchanged.

The past year again provided buoyant investment conditions, particularly in the Australian market. The value of your investments, as represented by the net tangible asset backing per share after provision for all taxes, increased from 110.5 cents per share to 113.5 cents per share over the period and total dividends of 8 cents per share, fully franked, were paid to shareholders. Retained profits stand at 14.9 cents per share and this is expected to be distributed as dividends in the future.

In my address last year, I noted that the discount of the share price to the net tangible asset backing of each share presented the major challenge for your Board for the year just past. I am pleased to report that we have made good progress in this area. Over the past financial year, the share price increased from 93 cents per unit to 103 cents per share, whilst the after tax net tangible asset backing per share rose from 110.5 cents per share to 113.5 cents per share, and dividends of 8 cents per share were paid to shareholders. The shares continue to trade at a discount to net tangible asset backing and your Board continues to focus on closing this gap to the benefit of shareholders.

Premium Investors manages your investments under a formal investment management contract with Treasury Group Investment Services Limited (TIS). Under this agreement, TIS takes responsibility for implementing an absolute return strategy aimed at providing consistent investment returns in all market conditions and to protect investment capital during the inevitable downturns in investment markets. The investment focus is designed to support our dividend policy of high and consistent dividends.

An absolute return focus requires the portfolio of investments to be well diversified amongst different investment styles, different asset classes, different investment sectors and different countries. When first listed, Premium Investors had investment portfolios with four investment managers with an overwhelming focus on Australian markets. The Premium Investors Prospectus did envisage up to 25% of the portfolio being invested internationally by managers predominantly focused on Australian investments but who had the experience to diversify offshore when suitable opportunities present.

Your Board has recognised that that the investment portfolio could benefit from further internationalisation of the portfolio and put a resolution to shareholders at the last Annual General Meeting to lift all limits on investing overseas. The resolution met with solid approval from shareholders. TIS has responded to our requests through the issue of investment mandates to specialist international investment managers. Global Value Investors was appointed to a mandate in February 2005, Treasury Asia Asset Management in October 2005 and RARE, a specialist in global infrastructure was appointed to a mandate in July 2006. Thus approximately 40% of investment assets are now allocated to international managers.

The Company's Dividend Reinvestment Plan (DRP) remains in operation for the current dividend. Under this plan, shareholders can convert all or part of their cash dividends into additional shares in Premium Investors. Directors have the discretion to nominate a discount under the plan and have nominated that a 2.5 per cent discount will apply to shareholders who elect to participate in the DRP for the final dividend for 2005. The reinvestment price will be a 2.5 per cent discount to the volume weighted average price over 5 trading days, commencing on the date trading in Premium Investors shares begin trading on an ex dividend basis.

Your Board has also introduced a Share Purchase Plan (SPP) which will operate in conjunction with the DRP. The Australian Securities and Investments Commission provides relief from requirements to publish a disclosure document or Product Disclosure Statement for listed companies who make small offers of shares to existing shareholders. Each shareholder is able to invest up to \$5,000 each year through the Share Purchase Plan and the current offer is for shareholders to invest up to \$2,500 at the price applicable to the Dividend Reinvestment Plan.

Shareholders who wish to participate in the DRP and who are currently not on the plan, and shareholders who wish to participate in the Share Purchase plans must return their applications by the record date for the final dividend, 4<sup>th</sup> September 2006. Application forms for the DRP can be downloaded from our website [www.premiuminvestors.com.au](http://www.premiuminvestors.com.au).

The successes of the year ending June 2006 have further consolidated the position of Premium Investors as a provider of an attractive and sustainable dividend yield from a globally diversified portfolio of investments under the management of expert managers in their field. Your Board looks forward to the next stages of development during the coming year.

Don Sharp  
Chairman

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**Head office:**  
Level 5, 50 Margaret Street  
Sydney NSW 2000  
Phone: 1800 087 348

**Registered office:**  
Level 9, 470 Collins Street  
Melbourne Vic 3000

# Premium<sup>★</sup>



## Investors Limited

ABN 47 106 259 885  
ANNUAL FINANCIAL REPORT  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2006

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**CORPORATE INFORMATION**

**Directors**

In office for the full year

Kenneth Stout

Appointments during the year

John Elfverson, Managing Director (appointed 1 August 2005)

Don Sharp, Chairman (appointed 26 July 2005)

Tom Collins (appointed 26 October 2005)

**Company Secretary**

Leah Watson (appointed 21 February 2006)

**Registered Office**

Level 9, 470 Collins Street

Melbourne, Victoria, 3000

Phone 1800 087 348

Facsimile (03) 9661 - 8499

**Sydney Office**

Level 5, 50 Margaret Street

Sydney, NSW, 2000

Phone (02) 8243 - 0400

Facsimile (02) 8243 - 0410

**Banker**

Westpac Banking Corporation

**Investment Custodian**

RBC Dexia Investor Services (Australia) Pty Limited

**Share Register**

Computershare Investor Services Pty Ltd

452 Johnston Street

Abbotsford, Victoria, 3067

(03) 9415 5000

**Auditors**

Pitcher Partners

Level 19, 15 William Street

Melbourne, Victoria, 3000

**Internet Address**

[www.premiuminvestors.com.au](http://www.premiuminvestors.com.au)

**PREMIUM INVESTORS LIMITED  
ANNUAL FINANCIAL REPORT  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2006**

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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 year ended 30 June 2006 and independent audit report thereon. This financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards.

**Directors**

The names and details of the Directors in office at any time during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

**Names, qualifications and special responsibilities**

**Mr John Elfverson** (Managing Director appointed 1 August 2005) B. Eng

Mr Elfverson has extensive experience in listed and unlisted investments, including equity and debt markets and derivatives. Mr Elfverson was previously in a range of management roles for the Australian Stock Exchange including the management of the ASX/Standard and Poors index relationship, qualitative and technical support to ASX operations and information product development and enhancement. Prior to joining the ASX in 2001 Mr Elfverson was Manager of Research at Assirt Pty Limited.

**Mr Don Sharp** (Chairman appointed 26 July 2005) B.Bus (Acc), CPA, CFP, ICD

Mr Sharp comes to the Company following a successful career in the financial services industry which encompassed stock broking, financial planning, funds management and accounting. As a co-founder of one of Australia's leading financial planning groups, Bridges Personal Investment Services, Mr Sharp was instrumental in Bridges advising its clients on investments in listed investment companies and property trusts.

Mr Sharp is also a director of Treasury Group Limited

**Mr Kenneth Stout** (Non-Executive Director) Dip Bus (Acc) , CA, ACIS

Mr Stout has over 25 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 Tom Collins** (Non-Executive Director appointed 26th October 2005) Dip of Fin. Plan, Dip of Bus (Real Estate Mgt).

Mr Collins has had forty years experience in the financial services sector, specialising in the financial planning industry, where he has been widely recognised in industry publications as a commentator, innovator and person of influence.

He is the principal of the Tom Collins Consultancy business, a business he founded in 1998 to provide strategic assessments and distribution expertise to the financial services industry.

Mr Collins is a director of FSP Super Pty Limited, which is the trustee for the FSP Superannuation Fund and is Chairman of its Audit and Compliance Committee and a member of its Investment Committee. He is also a director of The Private Collection Australia Limited which provides third party distribution for boutique fund managers, Chairman of Money Matters Corporation Limited and the Selectus Group of salary packaging companies.

Prior to the commencement of his consultancy, Mr Collins had a long and varied career in the financial services industry. In his time he has been an investment adviser, state manager for a fund manager, the founder of a financial planning company and an executive director of one of the major financial planning groups.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**DIRECTORS' REPORT (CONT'D)**

**Company Secretary**

**Mrs Leah Watson** (Company Secretary appointed 21 February 2006) B.Bus (Acc/Info Sys), Grad Dip (App. Corp. Gov.), CA

Mrs Watson has nine years commercial and professional experience, and worked with the Middle Market Advisory services of KPMG, and Corporate Services at Hall Chadwick Chartered Accountants & Business Advisors. Mrs Watson is also an affiliate of Chartered Secretaries Australia.

**Directors resigned during the year**

**Mr Rodney Green** (Non-Executive Director, resigned 24 April 2006) B.Bus (Acc) Grad. Dip of App. Fin. And Inv., CA, FSIA

**Mr Joel Bloom** (Non-Executive Director, resigned 26 October 2005) B. Comm.

**Mr Robert Kipp** (Managing Director, resigned 1 August 2005) B.Bus (Acc) B.Bus (Mark) FCPA. MACD

**Interests in the shares and options of the company**

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

	Ordinary shares fully paid <i>Number</i>
John Elfverson	10,000
Don Sharp	215,225
Kenneth Stout	5,300
Tom Collins	-

<b>Earnings Per Share</b>	<b>Cents</b>
Basic earnings per share	11.17
Diluted earnings per share	11.17

<b>Dividends</b>	<b>Cents</b>	<b>\$</b>
Final dividends recommended:		
• On ordinary shares fully franked	4.0	8,015,181
Final dividends for 2005 shown as recommended in the 2005 report:		
• On ordinary shares fully franked	4.0	7,920,818
Dividends paid in the financial period:		
<i>Interim for the financial period</i>		
• On ordinary shares fully franked	4.0	7,923,832

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**DIRECTORS' REPORT (CONT'D)**

**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 year ended 30 June 2006.

*Business strategies and prospects for future financial years*

Premium Investors Limited invests primarily in listed securities and its earnings in future financial years, as reported under Australian equivalents to International Financial Reporting Standards, will be influenced by the investment performance of those markets. The Investment Managers acting on behalf of Premium Investors Limited adopt an absolute return focus which provides them with the scope to hold significant levels of cash when they perceive markets as overvalued and the portfolio is further protected against the downside by a broad geographic and sectoral spread of investments.

*Employees*

The Company procures services under a management agreement as disclosed in Note 15 to the financial statements and as such has no direct employees.

**Operating Results for the Year Ended 30 June 2006**

The profit of the Company for the year after providing for income tax amounted to \$22.16m (2005 \$22.49m).

**Review of Operations**

The Dividend Reinvestment Plan which commenced with the interim dividend for the year ending June 2005 was continued for the interim dividend for the year ending June 2006. Under this plan, shareholders were able to purchase shares in Premium Investors at a discount of 2.5% to the volume weighted average market price over the period of 5 Business Days commencing on the date the shares first traded on an ex cash dividend basis.

The on market share buy back scheme commenced on 25th May 2005 lapsed with 1,504,085 shares being bought back during the financial year at a cost of \$1,427,893. The directors do not consider a buy back program is necessary at this time and will consider reintroducing a buy back program should the Directors consider it beneficial to shareholders.

**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.

**Significant Events After the Balance Date**

On 21 August 2006, the directors of Premium Investors Limited declared a final dividend on ordinary shares in respect of the financial year 30 June 2006. The total amount of the dividend is \$8,015,181 which represents a fully franked dividend of 4.0 cents per share. The dividend has not been provided for in the 30 June 2006 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.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**DIRECTORS' REPORT (CONT'D)**

**Environmental Regulation and Performance**

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

**Indemnification and Insurance of Directors and Officers**

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 2001;
- 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.

The insurance contract prohibits the disclosure of the insurance premium for insuring officers of the Company against a liability which may be incurred in that person's capacity 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. No indemnities have been given, or insurance premiums paid for auditors of the company.

**Proceedings on Behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the Company.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**DIRECTORS' REPORT (CONT'D)**

**Remuneration report**

***Remuneration policy***

The full Board is responsible for determining and reviewing compensation arrangements for the Directors. 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.

Details of the nature and amount of each element of the emolument of each director of the Company are as follows:

	<b>Annual Emoluments</b>			<b>Long-term Emoluments</b>		
	<b>Base fee</b> \$	<b>Bonus</b> \$	<b>Other</b> \$	<b>Termination &amp; Similar Payments</b> \$	<b>Superannuation</b> \$	<b>Total</b> \$
Don Sharp Chairman	55,983	-	-	-	-	55,983
Kenneth Stout Non-Executive Director	27,523	-	-	-	2,477	30,000
Tom Collins Non- Executive Director	18,772	-	-	-	1,896	20,668
Rodney Green Non-Executive Director	16,055	-	-	-	1,445	17,500
Joel Bloom Non-Executive Director	9,174	-	-	-	826	10,000
John Elfverson Managing Director	-	-	-	-	-	-

The Managing Directors (John Elfverson and Robert Kipp) and Company Secretaries (Leah Watson and Ho Lam) did not receive any remuneration from the Company as their services were provided under the management agreement as disclosed in Note 15 to the financial statements.

**Directors' Meetings**

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

	<b>Directors Meeting</b>		<b>Audit and Risk Committee Meetings</b>	
	<b>Eligible to attend</b>	<b>Attended</b>	<b>Eligible to attend</b>	<b>Attended</b>
John Elfverson	9	9	-	-
Don Sharp	10	9	-	-
Rodney Green	8	8	-	-
Kenneth Stout	10	10	4	4
Tom Collins	7	7	3	3
Joel Bloom	3	3	1	1
Robert Kipp	1	1	-	-

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**DIRECTORS' REPORT (CONT'D)**

**Committee Membership**

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

**Share Options**

As at the date of this report, there were no un-issued ordinary shares under options (2005: 300,000).

**Director's Interest in Contracts**

Mr Don Sharp is the Chairman and is also a Director of Treasury Group Ltd which is the parent entity of Treasury Group Investment Services Ltd. Treasury Group Investment Services Ltd has a material contract with the Company the details of which are disclosed in Note 15 of the financial statements.

**Audit Services**

The lead Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the year ended 30 June 2006. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporation Act 2001. The nature and scope of each type of non-audit services provided means that auditor independence was not compromised.

- Pitcher Partners received \$8,90325,030 in respect audit and review of the financial statements during the year
- Pitcher Partners received \$15,25115,795 in respect of tax compliance and tax related advice during the year

**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 financial report.

Signed in accordance with a resolution of the Directors:



John Elfverson  
Managing Director

Dated this 22<sup>nd</sup> day of August 2006

## AUDITOR'S INDEPENDENCE DECLARATION

### To the Directors of Premium Investors Limited

In relation to the independent audit for the year ended 30 June 2006, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001.
- (ii) No contraventions of any applicable code of professional conduct.



NICHOLAS ADAMS  
PITCHER PARTNERS



M W PRINGLE  
Partner

Dated at Melbourne on 22 August 2006

**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, and 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/supervision/governance/index.htm>.

<b>Recommendation</b>	<b>Section</b>
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	2.2.1
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2.2 and 2.2.4.3
Recommendation 9.4 Equity-Based Executive Remuneration	2.2.2
Recommendation 9.5 Reporting on Principle 9	2.2
Recommendation 10.1 Company Code of Conduct	3

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

**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 the Managing Director 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 the Managing Director 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.

**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 current board consists 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 Stout and Mr Collins are Non-Executive Directors. In addition to being Non-Executive Directors, Mr Stout and Mr Collins 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;
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 Sharp is the Chairman and a Non-Executive Director of the Company and is also a Non-Executive Director of Treasury Group Limited, the holding company of Treasury Group Investment Services Limited which has a material contract with the Company. Don Sharp is also the Chairman and a Non-Executive Director of Investors Mutual Limited and Global Value Investors Limited, both of which companies have been appointed Investment Managers for the Company by Treasury Group Investment Services Limited. As such, Mr. Sharp does not meet the Company's criteria for independence. Don Sharp's experience and knowledge of the industry makes a significant contribution to the Board and makes it appropriate that he continues in the position of Chairman.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

**1. Board of Directors (Cont'd)**

**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.
2. Strategy Formulation: setting and reviewing 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. Delegation of Authority: delegating appropriate powers to the Managing Director 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.

**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 2001*, 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.

**PREMIUM INVESTORS LIMITED**  
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**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

**1. Board of Directors (Cont'd)**

**1.4 Board Policies (Cont'd)**

*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;
- 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 2001* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

**1. Board of Directors (Cont'd)**

**1.4 Board Policies (Cont'd)**

*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 their associates may only trade in the Company's securities during a certain period of time commencing immediately after each of the following ("trading window"):

Ten business day period:

- 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;
- the close of the annual general meeting of the Company and

Five business day period:

- the announcement of the monthly NTA results.

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 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.

**PREMIUM INVESTORS LIMITED**  
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**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

**2. Board Committees**

**2.1 Audit and Risk Committee**

The Audit and Risk 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 and Risk Committee. Further details are contained in the Audit and Risk Committee's Charter which is available for review on the Company's website.

*2.1.1 Role*

The Audit and Risk 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 and Risk 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 and Risk Committee are Mr Stout and Mr Collins. 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.

During the year the Audit and Risk Committee held four meetings.

*2.1.3 Responsibilities*

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

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

**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 four members should undertake this responsibility. As such, the Company does not have a separate remuneration committee. The remuneration of the directors is reviewed annually by the board as detailed in the board charter a copy of which is available for review on the Company's website.

*2.2.1 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.

*2.2.2 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.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

**2. Board Committees (Cont'd)**

**2.2 Remuneration Committee (Cont'd)**

**2.2.4 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 four 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.

**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 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 and competitors.

*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.

*Responsibility to the Individual*

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

*Conflicts of Interest*

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

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

**3. Company Code Of Conduct (Cont'd)**

*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 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**  
**ABN 47 106 259 885**

**INCOME STATEMENT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

	<b>Note</b>	<b>2006</b>	<b>2005</b>
		<b>\$'000</b>	<b>\$'000</b>
Revenue	4(a)	10,543	10,002
Unrealised gains on other financial assets at fair value through the profit and loss		1,608	6,348
Realised gains on other financial assets at fair value through the profit and loss		23,216	18,676
Expenses	4(b)	<u>(5,384)</u>	<u>(5,258)</u>
<b>Profit before tax expense</b>		29,983	29,768
Deferred tax expense on unrealised gains	5(a)	(687)	(2,050)
Income tax expense	5(b)	<u>(7,136)</u>	<u>(5,228)</u>
<b>Profit after tax expense</b>	12	<u><b>22,160</b></u>	<u><b>22,490</b></u>
Basic earnings per share (cents per share)	17	11.17	12.06
Diluted earnings per share (cents per share)	17	11.17	12.06
Final franked dividends per share (cents per share)	6	4.0	4.0
Interim franked dividends per share (cents per share)	6	4.0	2.0

The accompanying notes form part of these financial statements.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**BALANCE SHEET**  
**AS AT 30 JUNE 2006**

	Note	2006 \$'000	2005 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	56,056	64,883
Trade and other receivables	9	3,554	1,979
Other		195	29
<b>TOTAL CURRENT ASSETS</b>		<b>59,805</b>	<b>66,891</b>
<b>NON-CURRENT ASSETS</b>			
Deferred tax assets	5(d)	15	14
Other financial assets at fair value through profit and loss	8	183,017	167,619
<b>TOTAL NON-CURRENT ASSETS</b>		<b>183,032</b>	<b>167,633</b>
<b>TOTAL ASSETS</b>		<b>242,837</b>	<b>234,524</b>
 <b>CURRENT LIABILITIES</b>			
Payables	10	4,462	7,120
Current tax liabilities	5(c)	6,221	4,484
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,683</b>	<b>11,604</b>
 <b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	5(d)	5,265	4,578
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,265</b>	<b>4,578</b>
<b>TOTAL LIABILITIES</b>		<b>15,948</b>	<b>16,182</b>
<b>NET ASSETS</b>		<b>226,889</b>	<b>218,342</b>
 <b>EQUITY</b>			
Contributed Equity	11	196,260	194,089
Retained earnings	12	30,629	24,253
<b>TOTAL EQUITY</b>		<b>226,889</b>	<b>218,342</b>

The accompanying notes form part of these financial statements.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

	Note	2006 \$'000	2005 \$'000
<b>Total equity at 1 July</b>		<u>218,342</u>	<u>176,201</u>
<b>Profit for the financial year</b>		<u>22,160</u>	<u>22,490</u>
<b>Total recognised income and expense for the year</b>		<u><b>22,160</b></u>	<u><b>22,490</b></u>
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	11	2,171	26,442
Dividends provided for or paid	6	<u>(15,784)</u>	<u>(6,791)</u>
		<u>(13,613)</u>	<u>19,651</u>
<b>Total equity at 30 June</b>		<u><b>226,889</b></u>	<u><b>218,342</b></u>

The accompanying notes form part of these financial statements.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**CASH FLOW STATEMENT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

	<b>Note</b>	<b>2006</b>	<b>2005</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Payments to suppliers		(6,237)	(3,996)
Dividends and distributions received		7,492	6,435
Interest received		2,959	3,274
Other income received		162	183
Income tax paid		(5,400)	(1,087)
<b>Net cash (used in)/provided by operating activities</b>	13(a)	<b>(1,024)</b>	<b>4,809</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of financial assets		204,195	104,432
Purchase of financial assets		(198,384)	(124,239)
<b>Net cash provided by/(used in) investing activities</b>		<b>5,811</b>	<b>(19,807)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		-	30,257
Payment for shares bought-back		(1,428)	(4,678)
Dividend paid		(12,186)	(5,928)
<b>Net cash (used in)/provided by financing activities</b>		<b>(13,614)</b>	<b>19,651</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(8,827)</b>	<b>4,653</b>
Cash and cash equivalents at the beginning of the year		64,883	60,230
<b>Cash and cash equivalents at end of the year</b>	13(b)	<b>56,056</b>	<b>64,883</b>

The accompanying notes form part of these financial statements.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**NOTES TO THE ANNUAL FINANCIAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Urgent Issues Group Interpretation and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on an accrual and historical cost basis, except for certain financial assets, which have been measured at fair value.

The board authorised the report for issue on 21 August 2006.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

**(b) Statement of compliance**

The financial report complies with Australian Accounting Standards, being Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in Note 22.

**(c) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

**(d) Trade and other receivables**

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

**(e) Payables**

Accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

**(f) Contributed equity**

Share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(g) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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 on a time proportionate basis that takes into account the effective yield on the financial asset.

*Dividends*

Dividends are recognised as revenue when the right to receive the dividend is established.

**(h) Income tax**

Current and deferred tax is recognised as an expense or income in the income statement.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Current tax: Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax: Deferred tax is accounted for using the comprehensive balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

A deferred tax liability is recognised for all taxable temporary differences including net unrealised gains on investments. Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by reporting date.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(i) Financial instruments**

*(i) Financial Assets*

The company has classified its' holdings of long-term securities and options at fair value through the profit and loss. These non-current assets are initially bought to account at cost, on trade date.

The Company has adopted Standards AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 139 defines fair value as the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Shares and options are now presented at fair valued using "bid" prices on long positions, and "offer" prices on short positions.

*(ii) Income from investments*

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

*(iii) Derivative financial instruments*

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. At reporting date, no derivatives have been designated as hedging instruments.

*(iv) Unlisted Investments*

Fair values for unquoted investments are estimated, if possible, using applicable price/earnings ratios for similar listed investments adjusted to reflect the specific circumstances of the issuer.

If a quoted market price is not available, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

**(j) 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.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(j) Earnings per share (cont'd)**

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.

**(k) Financial Liabilities**

Financial liabilities included in the balance sheet are carried at fair value. Outstanding settlements payable relate to the purchase of financial assets and will generally be settled with 3 days. All other creditors and accruals are non-interest bearing. Fair value is defined as the cost, which is the consideration to be paid in the future for goods and services received, whether or not billed to the entity.

**(l) Foreign Currencies**

Transactions in foreign currencies, are translated into functional currency, at the rate of exchange ruling, at the date of acquisition.

Foreign currency monetary items that are outstanding at reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary items is fixed in the contract) are translated using the spot rate at the end of the financial year.

**(m) Goods and services tax**

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.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement 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.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

**NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Company makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events which could have a material impact on the assets and liabilities in the next financial year are discussed below:

*Unlisted investments*

The company uses the best available market data when making estimates concerning the fair value of unlisted investments. This includes estimates based on comparative listed investments and generally accepted investment valuation methodologies.

**NOTE 3: FINANCIAL RISK MANAGEMENT**

*Derivative Financial Instruments*

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts. The group enters into forward exchange contracts to buy and sell specific amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering into the forward exchange contact is to protect the Company against unfavourable exchange rate movements for the contracted future sales undertaken in foreign currencies.

**NOTE 4: REVENUES AND EXPENSES**

Profit from continuing operations consisted of the following specific gains and expenses:

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Revenues from continuing operations</b>		
Dividend income	7,484	6,491
Interest income	2,897	3,324
Other income	162	187
	<b>10,543</b>	<b>10,002</b>
 <b>(b) Profit from continuing operations has been arrived at after charging the following expenses</b>		
Administration costs	953	720
ASX and share registry costs	227	262
Fund management fees	4,204	4,276
	<b>5,384</b>	<b>5,258</b>

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	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>NOTE 5: INCOME TAX</b>		
<b>(a) The components of tax expense:</b>		
Current tax	7,136	5,228
Deferred tax	687	2,050
<i>Total income tax expense</i>	<b>7,823</b>	<b>7,278</b>
<b>(b) The prima facie tax, using tax rates applicable in the country of operation, on profit differs from the income tax provided in the financial statement as follows:</b>		
Profit before tax expense	29,983	29,876
At the statutory income tax rate of 30% (2005: 30%)	8,994	8,963
Tax effect of amounts which are refundable in calculating taxable income		
Rebateable dividends / distributions	(1,320)	(1,362)
Capital raising costs	(254)	(254)
Revaluation of other financial assets to fair value	(482)	(1,904)
Other	18	(288)
Under-provision in prior years	180	73
<i>Income tax expense</i>	<b>7,136</b>	<b>5,228</b>
<b>(c) Current tax liabilities</b>		
Current tax liabilities	<b>6,221</b>	<b>4,484</b>
<b>(d) Deferred tax relates to the following</b>		
<i>Deferred tax liabilities</i>		
Revaluation of available-for-sale investments to fair value	5,261	4,496
Other	4	82
<i>Total deferred tax liabilities</i>	<b>5,265</b>	<b>4,578</b>
<i>Deferred tax assets</i>		
Deductions on incurred expenditure deferred to future years	15	14
<i>Total deferred tax assets</i>	<b>15</b>	<b>14</b>

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	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 6: DIVIDENDS</b>		
Dividends paid or proposed for in the current and comparative periods by Premium Investors Limited are:		
<b>(a) Declared and paid during the year</b>		
<i>Current year interim</i>		
Fully franked dividends (4.0 cents per share) (2005: 2.0 cents per share)	7,923,832	4,042,036
<i>Previous year final</i>		
Final fully franked dividends (4.0 cents per share) (2005: 2.0 cents per share)	7,860,655	2,749,672
<b>Total dividends declared and paid</b>	<b>15,784,487</b>	<b>6,791,708</b>
 <b>(b) Declared by directors on 21 August 2006 (not recognised as a liability at 30 June 2006)</b>		
<i>Current year final *</i>		
Final fully franked dividends (4.0 cents per share) (2005: 4.0 cents per share)	8,015,181	7,920,818
* Calculation based on the ordinary shares on issue as at 30 June 2006		
 <b>(c) Franking credit balance</b>		
The amount of franking credits available for the subsequent financial year are:		
- franking credit balance as at the end of the financial year at 30%	180,458	89,502
- franking credit that will arise from the payment of income tax payable as at the end of the financial period	6,205,647	4,484,951
- franking credit that will arise from the receipt of dividends recognised as receivable at the reporting date	137,766	161,655
	<b>6,523,871</b>	<b>4,736,108</b>
The tax rate at which paid dividends have been franked is 30%. Dividends proposed will be franked at the rate of 30%.		

**NOTE 7: CASH AND CASH EQUIVALENTS**

	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	2,400	832
Cash held for investment	53,656	64,051
	<b>56,056</b>	<b>64,883</b>

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	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>NOTE 8: OTHER FINANCIAL ASSETS THROUGH PROFIT AND LOSS</b>		
Investments at fair value through profit and loss	<b>183,017</b>	<b>167,619</b>

**NOTE 9: TRADE AND OTHER RECEIVABLES**

Dividend receivable		862	952
Interest receivable		212	275
Outstanding settlements receivable	9(a)	2,480	752
		<b>3,554</b>	<b>1,979</b>

(a) Terms and conditions

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

**NOTE 10: PAYABLES**

Outstanding settlements payable	10(a)	2,017	3,905
Other creditors and accruals	10(a)	2,445	3,215
		<b>4,462</b>	<b>7,120</b>

(a) Terms and conditions relating to the above financial instruments

(i) Other creditors and accruals are non-interest bearing.

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

**NOTE 11: CONTRIBUTED EQUITY**

	<b>2006</b>		<b>2005</b>	
	<b>\$'000</b>		<b>\$'000</b>	
<i>(a) Issued and paid up capital</i>				
Ordinary shares fully paid	196,260		194,089	
<i>(b) Movements in shares on issue</i>				
	<u>No. of shares</u>	\$	<u>No. of shares</u>	\$
Beginning of the period	198,020,451	194,089,034	171,844,500	167,646,624
Issued during the period:				
- options exercised	-	-	30,257,283	30,257,283
- dividend reinvestment plan	3,863,156	3,598,821	898,855	862,902
Bought back during the period	(1,504,085)	(1,427,893)	(4,980,187)	(4,677,775)
Total movement during period	2,359,071	2,170,928	26,175,951	26,442,410
End of the financial year	<b>200,379,522</b>	<b>196,259,962</b>	<b>198,020,451</b>	<b>194,089,034</b>

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	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>NOTE 12: RETAINED EARNINGS</b>		
Balance at beginning of the financial year	24,253	8,555
Net profit attributable to members of Premium Investors Ltd	22,160	22,490
Dividends paid	(15,784)	(6,792)
Retained profit at end of the financial year	<b>30,629</b>	<b>24,253</b>

**NOTE 13: NOTES TO THE CASH FLOW STATEMENT**

*(a) Reconciliation of net profit after tax to net cash flows from operations*

Profit for the financial year	22,160	22,490
<b>Changes in assets and liabilities</b>		
Gain on sale of financial assets	(23,216)	(18,676)
Gain on revaluation of financial assets	(1,608)	(6,348)
Decrease / (increase) in dividend receivable	90	(56)
Decrease / (increase) in interest receivable	63	(50)
Increase in withholding tax reclaims	(125)	-
(Increase) / decrease in deferred tax asset	(1)	3
Increase in prepayments	(18)	(2)
Increase in sundry debtors	-	(2)
(Increase) / decrease in GST receivable	(23)	158
(Decrease) / increase in trade creditors	-	(2,018)
(Decrease) / increase in other creditors and accruals	(770)	3,122
Increase in tax liabilities	2,424	6,188
<b>Net cash flow (used in) / from operating activities</b>	<b>(1,024)</b>	<b>4,809</b>

*(b) Reconciliation of cash and cash equivalent*

**Cash balance comprises**

Cash assets	2,400	832
Other financial assets – cash management account	53,656	64,051
<b>Closing cash balance</b>	<b>56,056</b>	<b>64,883</b>

*(c) Financing facilities available*

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

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**NOTE 13: NOTES TO THE CASH FLOW STATEMENT (Cont'd)**

*(d) Non-cash financing and investing activities*

During the year 3,863,156 (2005: 898,855) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the year amounted to \$3,598,821 (2005: \$862,902)

**NOTE 14: SEGMENT INFORMATION**

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

**NOTE 15: 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 investments of the Company in accordance with the Agreement.

Subject to the continuation clause described below, 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. The termination fee payable to the Manager for the second last month of the term of the Management Agreement is payable within 7 days from the date of termination.

At the Annual General Meeting on 3 November 2005, the Company amended its constitution to provide for a shareholder vote on the continuation of the Company for the event that the share price of the company trades at a discount of 10% or greater to the net tangible assets per share after tax has been paid or provided for on all realised and unrealised capital gains throughout the period of twelve months leading up to the balance date.

**NOTE 16: EXECUTIVE OPTION PLAN**

In a previous financial year, the Company executed a deed in favour of its Chief Executive Officer, under which it agreed to issue options. Movements in options during the year are as follows:

	<b>No. of options 2006</b>	<b>No. of options 2005</b>
Balance at beginning of period	-	300,000
- Granted during the period	-	-
- Lapsed/ forfeited	-	(300,000)
Balance at end of period	-	-
Exercisable at end of period	-	-

The Chief Executive Officer has since left the Company and as such all options were forfeited under the terms of the Deed.

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<b>2006</b>	<b>2005</b>
<b>\$'000</b>	<b>\$'000</b>

**NOTE 17: EARNINGS PER SHARE**

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Net profit	22,160	22,490
Earnings used in calculating basic and diluted earnings per share	22,160	22,490

	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares used in calculating basic earnings per share:	198,347,887	186,461,932
Basic earnings per share	<b>11.17</b>	<b>12.06</b>

**Effect of dilutive securities:**

Dilutive effect of potential ordinary shares.	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	198,347,887	186,461,932
Diluted earnings per share	<b>11.17</b>	<b>12.06</b>

**NOTE 18: DIRECTORS AND EXECUTIVE DISCLOSURES**

**(a) Details of Key Management Personnel for part or all of the financial year were:**

*(i) Directors*

John Elfverson	Managing Director, appointed 1 August 2005
Don Sharp	Chairman (non-executive), appointed 26 July 2005
Kenneth Stout	Director (non-executive)
Tom Collins	Director (non-executive), appointed 26 October 2005
Rodney Green	Director (non-executive), resigned 24 April 2006
Joel Bloom	Director (non-executive), resigned 26 October 2005
Robert Kipp	Managing Director (executive), resigned 1 August 2005

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**NOTE 18: DIRECTORS AND EXECUTIVE DISCLOSURES (Cont'd)**

**(b) Remuneration of Key Management Personnel**

***Remuneration policy***

The full Board is responsible for determining and reviewing compensation arrangements for the Directors. 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.

*(i) Remuneration of Directors*

	<u>Primary</u>		Non-Monetary Benefits	<u>Post Employment</u>		<u>Other</u>	Total
	Salary & Fees	Cash Bonus		Superannuation	Retirement Benefits	Bonuses	
	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>							
John Elfverson							
2006	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
Don Sharp							
2006	55,983	-	-	-	-	-	55,983
2005	-	-	-	-	-	-	-
Kenneth Stout							
2006	27,523	-	-	2,477	-	-	30,000
2005	19,113	-	-	1,720	-	-	20,833
Tom Collins							
2006	18,772	-	-	1,896	-	-	20,668
2005	-	-	-	-	-	-	-
Rodney Green							
2006	16,055	-	-	1,445	-	-	17,500
2005	-	-	-	-	-	-	-
Joel Bloom							
2006	9,174	-	-	826	-	-	10,000
2005	19,113	-	-	1,720	-	-	20,833
Robert Kipp							
2006	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
<b>Total: 2006</b>	<b>127,507</b>	-	-	<b>6,644</b>	-	-	<b>134,151</b>
<b>Total: 2005</b>	<b>38,226</b>	-	-	<b>3,440</b>	-	-	<b>41,666</b>

The Managing Directors (John Elverson and Robert Kipp) and Company Secretaries (Leah Watson and Ho Lam) did not receive any remuneration from the Company as their services were provided under the management agreement as disclosed in Note 15 to the financial statements.

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**NOTE 18: DIRECTORS AND EXECUTIVE DISCLOSURES (Cont'd)**

**(c) Shareholdings of Specified Directors**

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

	<b>Balance 1 July 2005</b>	<b>Net Change Other</b>	<b>Balance 30 June 2006</b>
<b>Specified Directors</b>			
John Elfverson	-	-	-
Don Sharp	-	215,225	215,225
Kenneth Stout	5,300	-	5,300
Tom Collins	-	-	-
<hr/>			
<b>Total</b>	<b>5,300</b>	<b>215,225</b>	<b>220,525</b>

All equity transactions with specified directors have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

**(d) Other transactions and balances with Key Management Personnel**

*Fund management & performance fees*

During the period, Premium Investors Limited paid fund management and performance fees of \$4,204,393 (2005: \$4,276,374) to Treasury Group Investment Services Ltd, a wholly-owned subsidiary of Treasury Group Limited, a company of which Don Sharp is a director. Dealings were on commercial terms and conditions. The terms and conditions are in accordance with the management agreement.

*Services*

During the period, Premium Investors Limited paid management fees, accounting fees and compliance fees of \$384,772 (2005: \$445,352) to Treasury Group Investment Services Ltd, a wholly-owned subsidiary of Treasury Group Limited, a company of which Don Sharp is a director. Dealings were on commercial terms and conditions and in accordance with the management agreement.

*Payable*

Amounts owing to the director-related entity in respect of fund management fees and service fees at the end of the period totalled \$2,317,920 (2005: \$3,167,817).

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	<b>2006</b>	<b>2005</b>
	\$	\$

**NOTE 19: AUDITORS' REMUNERATION**

Amounts received or due and receivable by Pitcher Partners for:

Audit and review of the financial report	25,030	24,347
Tax related advice	15,795	6,416
	<b>40,825</b>	<b>30,763</b>

**NOTE 20: SUBSEQUENT EVENT**

On 21 August 2006, the directors of Premium Investors Limited declared a final dividend on ordinary shares in respect of the June 2006 year. The total amount of the dividend is \$8,015,181, which represents a fully franked dividend of 4.0 cents per share. The dividend has not been provided for in the 30 June 2006 financial statements and will be recognised in subsequent financial reports.

**NOTE 21: FINANCIAL INSTRUMENTS**

*(a) Interest rate risk*

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

<b>30 June 2006</b>	Floating interest rate \$'000	Non-interest bearing \$'000	Fixed interest rate 0 – 1 year \$'000	Total carrying amount as per Balance Sheet \$'000	Weighted average interest rate
<b>Financial assets</b>					
Cash assets	53,735	-	-	53,735	4.49%
Short term deposits	-	-	2,321	2,321	5.48%
Listed securities	-	183,017	-	183,017	N/A
Dividends receivable	-	862	-	862	N/A
Other receivables	-	2,692	-	2,692	N/A
<b>TOTAL</b>	<b>53,735</b>	<b>186,571</b>	<b>2,321</b>	<b>242,627</b>	
<b>Financial liabilities</b>					
Other creditors and accruals	-	4,462	-	4,462	N/A
Income tax payable	-	6,221	-	6,221	N/A
<b>TOTAL</b>	<b>-</b>	<b>10,683</b>	<b>-</b>	<b>10,683</b>	

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

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**NOTE 21: FINANCIAL INSTRUMENTS (Cont'd)**

<b>30 June 2005</b>	Floating interest rate \$'000	Non-interest bearing \$'000	Fixed interest rate 0 – 1 year \$'000	Total carrying amount as per Balance Sheet \$'000	Weighted average interest rate
<b>Financial assets</b>					
Cash assets	64,838	-	-	64,838	5.26%
Short term deposits	-	-	45	45	5.35%
Listed securities	-	167,619	-	167,619	N/A
Dividends receivable	-	952	-	952	N/A
Other receivables	-	1,027	-	1,027	N/A
<b>TOTAL</b>	<b>64,838</b>	<b>169,598</b>	<b>45</b>	<b>234,481</b>	
<b>Financial liabilities</b>					
Other creditors and accruals	-	7,120	-	7,120	N/A
Income tax payable	-	4,484	-	4,484	N/A
<b>TOTAL</b>	<b>-</b>	<b>11,604</b>	<b>-</b>	<b>11,604</b>	

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.

*(c) Credit risk exposures*

The Company'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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 22: TRANSITION TO AIFRS**

These financial statements for the year ended 30 June 2006 are the first time the Company has been required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Company has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in Note 1. In preparing these financial statements, the Company has started from an opening balance sheet as at 1 July 2004, the Company's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS*.

This note explains the principal adjustments and transition effects to the Company in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

**Impact of transition to AIFRS**

The impact of the transition to AIFRS including the transitional adjustments disclosed in the reconciliations from current AGAAP to AIFRS shown below are based on AIFRS standards that are in place and Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

Revisions to the selection and application of the AIFRS accounting policies were required as a result of:

- changes in financial reporting requirements that were relevant to the companies first complete AIFRS financial report arising from new and revised accounting standards or interpretations issued by the Australian Accounting Standards Boards subsequent to the preparation of the 30 June 2005 financial report; and
- additional guidance on the application of AIFRS in a particular industry or to a particular transaction

The rules for first time adoption of AIFRS are set out in AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards. AIFRS accounting policies were applied retrospectively to determine the opening AIFRS income statement as at transition date, being 1 July 2004. The Standard allowed for a number of exemptions to this general principle to assist in the transition to reporting under AIFRS.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 22: TRANSITION TO AIFRS (Cont'd)**

The significant changes in accounting policies adopted in preparing the AIFRS reconciliations and the elections made under AASB 1 are set out below:

*(a) Financial Assets*

In accordance with AASB 139, trading securities, equities and units in unlisted schemes have been classified as "fair value through profit and loss" and recognised in the Balance Sheet at fair value, with changes in fair value during the period recognised in the Income Statement.

AASB 139 defines fair value as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Financial assets are valued at their fair values without any deduction for transactions costs that may be incurred on sale or other disposal.

Financial assets classified as "fair value through the profit and loss" are measured at "bid" price and exclude disposal costs. This has resulted in an increase in value of the financial assets on the Balance Sheet. The financial impact is the result of the difference between current net market values and "bid" prices.

*(b) Change to the fair value of investments*

In accordance with AASB 139, trading securities, equities and units in unlisted schemes have been classified as "fair value through profit and loss" for the purposes of AASB 139 and are measured at fair value. This has resulted in an increase in the changes in value recognised in the Income Statement reflected in "changes in value of Investments" as a result of the difference between current net market values and "bid" prices.

*(c) Income taxes*

Under the Australian equivalent to IAS 12 Income Taxes, the company is 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 Balance Sheet or a tax-based balance sheet. This has not had a significant impact on the income tax expense but affect 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.

*(d) Reconciliation of Total Equity at 1 July 2004*

<b>Total equity at 1 July 2004:</b>	<b>\$'000</b>
<i>As reported under Australian Accounting Standards</i>	178,647
Adjustments relating to recalculation of deferred tax using the balance sheet method at 30 June 2004:	
Increase in income tax expense	(2,446)
<i>As restated under AIFRS</i>	<b>176,201</b>

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**NOTE 22: TRANSITION TO AIFRS (Cont'd)**

(e) *Reconciliation of Profit from Continuing Operations after Tax for the year ended 30 June 2005*

<b>Profit from continuing operations after tax for the financial year to 30 June 2005:</b>	<b>\$'000</b>
<i>As reported under Australian Accounting Standards</i>	5,118
Net gain on financial instruments not previously recognised in the income statement for the year	19,909
Recording of market value at "Bid" prices	(487)
Deferred tax adjustment for the year	(2,050)
<i>As restated under AIFRS for the year ended 30 June 2005</i>	<b>22,490</b>

(f) *Reconciliation of Total Equity at 30 June 2005*

<b>Total equity at 30 June 2005:</b>	<b>\$'000</b>
<i>As reported under Australian Accounting Standards</i>	223,325
Adjustments to profit for the year as described above (deferred tax and "bid" price)	(2,537)
Adjustments to equity for the year as described above	(2,446)
<i>As restated under AIFRS</i>	<b>218,342</b>

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**ABN 47 106 259 885**

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Premium Investors Limited, I state that:

1. In the opinion of the directors:
  - (a) The financial statements and notes of the Ccompany are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Ccompany's financial position as at 30 June 2006 and of it's performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
  - (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.

On behalf of the Board



John Elferson  
Managing Director

Sydney, 22<sup>nd</sup> August 2006

**PREMIUM INVESTORS LTD  
ABN 47 106 259 885**

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF  
PREMIUM INVESTORS LTD**

**Scope**

We have audited the financial report of Premium Investors Limited for the financial year ended 30 June 2006 comprising the Directors' Declaration, Income Statement, Balance Sheet, Statement of Changes in Equity, 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 the 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.

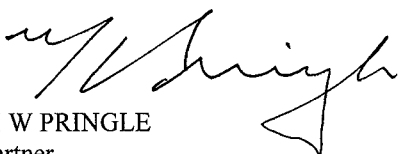
**Audit Opinion**

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 2006 and of its performance for the financial year 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

Dated at Melbourne on 22 August 2006

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

## ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.

**(a) Distribution of equity securities (as at 31 July 2006).**

The number of holders, by size of holding, in each class of equity securities:

		Ordinary shares		Options	
		Number of holders	Number of shares	Number of holders	Number of options
1	– 1,000	159	89,658	-	-
1,001	– 5,000	1,507	5,444,366	-	-
5,001	– 10,000	1,646	13,811,055	-	-
10,001	– 100,000	3,665	96,935,812	-	-
100,001	and over	131	84,098,631	-	-
		7,108	200,379,522	-	-
The number of shareholders holding less than a marketable parcel of shares are:		59	9,623	-	-

**(b) Twenty largest shareholders (as at 11 August 2006)**

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Questor Financial Services Ltd <TPS RF A/C>	11,360,677	5.67
2	RBC Dexia Investor Services Australia Nominees Pty Ltd <BKCUST A/C>	8,429,859	4.21
3	J P Morgan Nominees Australia Ltd	7,789,178	3.89
4	Cogent Nominees Pty Ltd	6,910,957	3.45
5	Citicorp Nominees Pty Ltd (CFS WSLE 452 Aust Share A/C)	4,790,602	2.39
6	RBC Global Services Australia Nominees Pty Ltd <MLCI A/C>	4,604,778	2.30
7	Perpetual Trustees Consolidated Ltd	4,366,200	2.18
8	Bond Street Custodians Ltd	2,632,964	1.31
9	Questor Financial Services Ltd <TPS PIP A/C>	2,119,617	1.06
10	National Nominees Ltd	1,289,183	0.64
11	Warman Investments Pty Ltd	1,250,526	0.62
12	Australian Reward Investment Alliance	1,178,837	0.59
13	Australian Executor Trustees Ltd	1,167,104	0.58
14	Groote Eylandt Aboriginal Trust Inc	1,066,153	0.53
15	RBC Dexia Investor Services Australia Nominees Pty Ltd <NMSMT A/C>	849,579	0.42
16	Australian Reward Investment Alliance	806,700	0.40
17	Mr Victor John Plummer	770,556	0.38
18	Aust Executor Trustees NSW Ltd	635,174	0.29
19	AKAT Investments Pty Ltd	573,158	0.29
20	Mr Peter Jackson	527,500	0.26
		61,119,304	31.46

## ASX Additional Information (Cont'd)

**(c) Twenty largest option holders (as at 11 August 2006)**

There are no outstanding options as at 11 August 2006.

**(d) Substantial shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	<b>Number of shares</b>
Commonwealth Bank of Australia Ltd	20,733,773
Questor Financial Services Ltd	12,755,522

**(e) Voting rights**

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

## ASX Additional Information (Cont'd)

**(f) Holdings of Securities (as at 30 June 2006)**

Investments held by the Company as at 30 June 2006 are as follows:

<b>Energy</b>					
		<b>Market Value</b>			
		<b>Units</b>	<b>'000</b>	<b>%</b>	
AZA	Anzon Australia Limited	613,700	789	0.43%	Aust
AZABNOA	Anzon Australia Ltd \$1.24 Bonus Option	30,685	4	0.00%	Aust
ARQ	Arc Energy Limited	302,783	474	0.26%	Aust
AWE	Australian Worldwide Exploration Limited	210,928	721	0.41%	Aust
B0M1DJ0	Bergesen Worldwide Gas ASA	49,000	938	0.51%	Norway
CEY	Centennial Coal Company Limited	39,540	123	0.06%	Aust
2838555	Chevron Corporation	10,000	835	0.46%	USA
B00G0S5	CNOOC Limited	780,000	831	0.44%	Hong Kong
EXL	Excel Coal Limited	39,226	317	0.18%	Aust
2326618	Exxon Corporation NPV	5,000	414	0.25%	USA
MAE	Marion Energy Limited	314,500	225	0.13%	Aust
NXS	Nexus Energy Limited	232,400	144	0.08%	Aust
OSH	Oil Search Limited	80,470	328	0.19%	Aust
4651459	OMV AG	10,000	803	0.42%	Austria
ORG	Origin Energy Limited	30,000	221	0.11%	Aust
5669354	Repsol SA Registered	18,700	721	0.38%	Spain
RSP	Resource Pacific Holdings Limited	449,227	514	0.27%	Aust
B09CBL4	Royal Dutch Shell plc A Shares	16,000	724	0.40%	Netherlands
SDM	Sedgeman Limited	575,593	858	0.48%	Aust
6812340	Singapore Petroleum Company Limited	74,000	315	0.18%	Singapore
7133608	Statoil ASA	20,000	764	0.41%	Norway
SRL	Straits Resources Limited	232,398	906	0.49%	Aust
WPL	1e Petroleum Limited	11,995	528	0.31%	Aust
			<b>12,497</b>	<b>6.86%</b>	

<b>Materials</b>					
		<b>Market Value</b>			
		<b>Units</b>	<b>'000</b>	<b>%</b>	
ABY	Aditya Birla Minerals Limited Deferred Settlement	123,112	330	0.18%	Aust
AGM	Allegiance Mining NL	1,156,229	313	0.18%	Aust
AWC	Alumina Limited	30,000	203	0.10%	Aust
AMC	Arcor Limited	357,956	2,385	1.28%	Aust
AUS	Auselect Limited	258,000	341	0.18%	Aust
5086577	BASF AG Dem5	10,000	1,082	0.60%	Germany
5069211	Bayer AG	17,000	1,052	0.57%	Germany
BHP	BHP Billiton Limited	101,941	2,895	1.56%	Aust
CBH	CBH Resources Limited	1,585,000	531	0.28%	Aust
DOM	Dominion Mining Limited	155,500	183	0.09%	Aust
2018175	Du Pont De Nemours	15,000	839	0.44%	USA
DXL	Dyno Nobel Limited	109,612	269	0.16%	Aust
EQI	Equigold NL	152,085	241	0.12%	Aust
EQIO	Equigold NL Option Expiring 31 May 2007	117,175	37	0.02%	Aust
6375564	Goldsun Development And Construction	460,000	279	0.14%	Taiwan
GRD	GRD Limited	90,336	220	0.13%	Aust
GTP	Great Southern Plant	49,000	168	0.08%	Aust

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

## ASX Additional Information (Cont'd)

(f) **Holdings of Securities (as at 30 June 2006) (Cont'd)**

		Market Value			
		Units	'000	%	
HER	Herald Resources Limited	225,600	282	0.14%	Aust
ILU	Iluka Resources Limited	59,721	391	0.22%	Aust
IGO	Independance Group NL	150,628	410	0.21%	Aust
JML	Jabiru Metals Limited	815,329	338	0.19%	Aust
JHX	James Hardie Industries NV	141,312	1,088	0.62%	Aust
JBM	Jubilee Mines NL	34,404	276	0.16%	Aust
KIM	Kimberley Diamond Company NL	193,750	240	0.14%	Aust
6491318	Kingboard Chemical Holdings Limited	90,000	340	0.19%	Aust
MCC	Macarthur Coal Limited	80,912	362	0.19%	Hong Kong
MLM	Metallica Minerals Limited	1,548,927	333	0.18%	Aust
MLMO	Metallica Minerals Limited Options Expiring 31/12/2006	387,232	10	0.01%	Aust
NCM	Newcrest Mining Limited	74,262	1,536	0.84%	Aust
NIA	Niagara Mining Limited	1,069,998	300	0.15%	Aust
B0WC2B8	Nine Dragons Paper Holdings	372,000	406	0.22%	Aust
NPX	Nuplex Industries Limited	63,050	324	0.18%	Hong Kong
ORI	Orica Limited	40,579	969	0.52%	Aust
OXR	Oxiana Limited	105,528	332	0.18%	Aust
PMM	Portman Mining Limited	58,807	288	0.15%	Aust
RIN	Rinker Group Limited	76,554	1,249	0.68%	Aust
RIO	Rio Tinto Limited	11,903	926	0.52%	Aust
0718875	Rio Tinto plc Ord	9,000	640	0.36%	Aust
6609906	Siam Cement Pub Foreign Registry	33,000	268	0.16%	UK
4356646	Syngenta AG	5,600	999	0.57%	Thailand
6109439	Taiwan Fertilizer Company	257,000	575	0.31%	Swiss
TFE	Territory Iron Limited	669,019	211	0.11%	Taiwan
TIM	Timbercorp Limited	113,364	456	0.25%	Aust
URL	Universal Resources Limited	544,100	87	0.05%	Aust
ZFX	Zinifex Limited	100,000	978	0.52%	Aust
			<b>25,982</b>	<b>14.13%</b>	Aust

### Industrials

		Market Value			
		Units	'000	%	
B164FY1	ADP Promesses	8,000	664	0.36%	France
ADZ	Adsteam Marine Limited	234,648	476	0.26%	Aust
ASB	Austal Limited	288,312	857	0.47%	Aust
AIX	Australian Infrastructure	316,541	658	0.36%	Aust
AHE	Automotive Holdings Group Limited	341,500	700	0.37%	Aust
BEI	Babcock And Brown Environmental Investments Limited	186,714	465	0.25%	Aust
BOL	Boom Logistics Limited	377,034	1,679	0.91%	Aust
BKN	Bradken Limited	168,441	869	0.47%	Aust
BIL	Brambles Industries Limited	84,052	916	0.50%	Aust
CAB	Cabcharge Australia Limited	80,827	509	0.28%	Aust
CND	*Candle Australia	193,124	649	0.35%	Aust
6179755	Cathay Pacific Air	220,000	517	0.28%	Hong Kong
CDX	CDS Technologies Limited	102,537	200	0.12%	Aust
COA	Coates Hire Limited	137,333	864	0.29%	Aust
COF	Coffey International Limited Aud	26,945	80	0.05%	Aust

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

## ASX Additional Information (Cont'd)

(f) **Holdings of Securities (as at 30 June 2006) (Cont'd)**

		Market Value			
		Units	'000	%	
CEU	Connecteast Group Ex Contributing Deferred	1,220,531	1398	0.79%	Aust
CCP	Credit Corporation Group Limited	59,554	423	0.24%	Aust
6249584	Daelim Industrial Company Limited	3,400	287	0.17%	Korea
DEX	Dexion Limited	295,552	334	0.19%	Aust
4359690	Flughafen Wien AG	11,000	1,129	0.61%	Austria
6388700	Guangshen Railway Co Limited	800,000	406	0.24%	Hong Kong
6665016	Hopewell Highway Infrastructure Limited	290,000	291	0.16%	Hong Kong
MAH	Macmahon Holdings Limited	327,257	259	0.14%	Aust
MRM	Mermaid Marine Australia Limiteds	646,019	384	0.22%	Aust
MND	Monadelphous Group Limited	88,226	543	0.29%	Aust
6290054	MTR Corporation Limited	109,000	354	0.19%	Hong Kong
6568353	NWS Holdings Limited	79,000	184	0.09%	Hong Kong
B1577G7	Oesterreichische Post Ag	20,000	816	0.43%	Austria
PCG	PCH Group Limited	73,000	53	0.03%	Aust
PRG	Programmed Maintenance Service Limited	105,253	421	0.22%	Aust
QAN	Qantas Airways Limited	375,000	1,110	0.61%	Aust
SAI	SAI Global Limited	25,000	87	0.06%	Aust
6771601	Samsung Corporation	21,600	797	0.44%	Korea
B08X163	Sembcorp Industries Ltd	140,000	386	0.20%	Singapore
6243586	Singapore Airport Terminal Services	340,000	616	0.34%	Singapore
6043214	Singapore Technologies Engineering Limited	114,000	278	0.15%	Singapore
TOL	Toll Holdings Limited	107,542	1,510	0.83%	Aust
TSE	Transfield Services Limited Def	22,000	189	0.10%	Aust
TPI	Transpacific Industries Group	96,724	641	0.35%	Aust
TCL	Transurban Group	520,000	3,572	1.93%	Aust
UGL	United Group Limited	28,902	746	1.43%	Aust
			<b>27,317</b>	<b>17.74%</b>	

### Consumer Discretionery

		Market Value			
		Units	'000	%	
ABS	ABC Learning Centres Limited	67,629	433	0.22%	Aust
ARP	ARB Corp Limited	101,378	316	0.18%	Aust
ALL	Aristocrat Leisure Limited	65,374	834	0.46%	Aust
BBG	Billabong International Limited	59,886	919	0.51%	Aust
BRZ	Brazin Limited	173,953	238	0.13%	Aust
DMP	Domino's Pizza Australia NZ Limited	155,314	595	0.33%	Aust
4466802	ENIRO AB	67,000	949	0.50%	Sweden
FWD	Fleetwood Corporation Limited	116,000	749	0.41%	Aust
FUN	Funtastic Limited	134,908	216	0.12%	Aust
B01G2K0	Gestelevision Telecinco Sa	29,500	952	0.53%	Spain
HCC	Hutchisons Child Care Services Limited	315,000	381	0.20%	Aust
6568610	Hyundai Dept Store Company	3,470	361	0.21%	Korea
6402428	Hyundai Development Company	5,000	290	0.15%	Korea
B03XKG1	Inventec Appliances Corp	80,000	407	0.23%	Taiwan
IVC	Invocare Limited	128,572	577	0.30%	Aust
JBH	JB Hi-Fi Limited	58,436	296	0.17%	Aust

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

## ASX Additional Information (Cont'd)

(f) **Holdings of Securities (as at 30 June 2006) (Cont'd)**

		Market Value			
		Units	'000	%	
JST	Just Group Limited	191,100	652	0.34%	Aust
3319521	Kingfisher plc	158,000	937	0.50%	UK
6581930	Land And Houses Company Limited	560,000	147	0.09%	Thailand
B00LN47	Lifestyle International Holdings Limited	161,000	396	0.22%	Hong Kong
6192859	Lion Diversified Holdings Berhad	140,000	206	0.10%	Malaysia
B0WGPZ5	Lotte Shopping Center Company	890	466	0.26%	Korea
6560713	Mandarin Oriental International	200,000	299	0.15%	Singapore
MCP	Mcpersons Limited	207,817	301	0.17%	Aust
NWS	News Corporation Inc Class B Voting Cdi	38,412	1,046	0.57%	Aust
6687139	Norstar Founders Group	592,000	274	0.14%	Hong Kong
PBB	Pacifica Group Limited	90,000	198	0.10%	Aust
PGA	Photon Group Limited	88,509	386	0.21%	Aust
PBL	Publishing + Broad Limited	50,000	912	0.49%	Aust
5493434	SES Global FDR	48,500	935	0.53%	Luxemb
6811693	Sinkong Spinning	264,000	277	0.15%	Taiwan
SKC	Sky City Limited	250,000	1,103	0.63%	Aust
TAH	Tabcorp Holdings Limited	205,000	3,112	1.71%	Aust
TTS	Tattersalls Ltd	300,000	837	0.45%	Aust
TRS	The Reject Shop Limited	114,057	695	0.39%	Aust
2872069	Tupperware Brands Corporation	32,000	847	0.48%	USA
UTB	Unitab Limited	33,302	488	0.26%	Aust
4834777	Vivendi SA	5,000	236	0.13%	Germany
WTF	Wotif.Com Holdings Limited	116,149	382	0.21%	Aust
2942843	Yellow Pages Income Fund	49,000	955	0.52%	Canada
			<b>24,600</b>	<b>13.45%</b>	

Consumer Staples					
		Market Value			
		Units	'000	%	
0673123	Associated British Foods plc	48,000	908	0.50%	UK
B0W3DL8	China Milk Producers Group	563,000	494	0.26%	Singapore
CCL	Coca-Cola Amatil	120,000	847	0.45%	Aust
CML	Coles Myer Limited	40,000	430	0.23%	Aust
6282040	Giordano International	350,000	222	0.12%	HongKong
GFF	Goodman Fielder Limited	1,165,133	2,492	1.35%	Aust
GNCPA	Graincorp 6.5pct Redeemable Converting Preference Shr Def	7,000	717	0.38%	Aust
6464514	IOI Corporation Berhad	70,000	367	0.22%	Malaysia
2764296	Kraft Foods Inc	24,000	997	0.53%	USA
MTS	Metcash Limited	133,743	500	0.27%	Aust
7123870	Nestle SA	2,400	1,011	0.56%	Swiss
RIC	Ridley Corporation Limited	582,653	705	0.39%	Aust
0783969	Scottish And Newcastle Ord 20p	60,000	761	0.40%	UK
TGR	Tassal Group Limited	473,602	535	0.29%	Aust
B12T3J1	Unilever Nv Cva	30,600	934	0.51%	Nederlands
WOW	Woolworths Limited	46,501	936	0.52%	Aust
			<b>12,856</b>	<b>6.98%</b>	

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

## ASX Additional Information (Cont'd)

(f) **Holdings of Securities (as at 30 June 2006) (Cont'd)**

<b>Health Care</b>					
		<b>Units</b>	<b>Market Value</b>		
			<b>'000</b>	<b>%</b>	
2002305	Abbot Laboratories Com	16,500	968	0.52%	USA
ANN	Ansell Limited	50,000	483	0.25%	Aust
0989529	Astrazeneca plc	12,500	1,015	0.55%	UK
COH	Cochlear Limited	9,380	512	0.30%	Aust
CSL	CSL Limited	17,233	922	0.49%	Aust
DVC	DCA Group Limited	202,946	562	0.32%	Aust
MYP	Mayne Pharma Limited	400,000	1,027	0.54%	Aust
6439932	Pantai Holdings Berhad	279,700	244	0.13%	Malaysia
6811143	Parkway Holdings Limited	264,000	555	0.29%	Singapore
2684703	Pfizer Inc Company	33,000	1,041	0.56%	USA
PGL	Progen Industries	68,493	185	0.10%	Aust
PSX	Psiron Limited	975,000	146	0.09%	Aust
RMD	Resmed Inc	40,120	249	0.14%	Aust
SIP	Sigma Pharmaceuticals Limited	450,000	1,169	0.62%	Aust
VGH	Vision Group Holdings Limited	69,817	297	0.17%	Aust
			<b>9,375</b>	<b>5.07%</b>	

### Financials

		<b>Units</b>	<b>Market Value</b>		
			<b>'000</b>	<b>%</b>	
ABP	Abacus Property Group	347,097	536	0.29%	Aust
AZGXX	Allianz Global Investors European Property Trust Placement	500,000	500	0.26%	Aust
AMP	AMP Limited	118,768	1,083	0.60%	Aust
ANZ	ANZ Bank	135,499	3,460	1.89%	Aust
AEZ	APN UKA European Retail Trust	133,000	146	0.10%	Aust
AEU	Australian Education Trust	266,950	427	0.23%	Aust
BNB	Babcock And Brown Limited	34,451	743	0.40%	Aust
6075745	Bumiputra Commerce Holdings	158,000	344	0.20%	Malaysia
6309303	Capitaland Limited	131,000	497	0.27%	Singapore
6425663	Cathay Financial Holding Company	441,000	1,296	0.71%	Taiwan
CIFCA	Challenger Infrastructure Group Class A	342,667	418	0.26%	Aust
CWT	Challenger Wine Trust	395,668	275	0.14%	Aust
6191180	Chinese Estates Holdings Limited	452,000	658	0.37%	Hong Kong
CBA	Commonwealth Bank Of Australia	86,033	3,810	2.08%	Aust
COU	Count Financial Limited	106,148	244	0.12%	Aust
6249799	Dah Sing Financial	41,200	406	0.21%	Hong Kong
6175203	DBS Group Holdings Limited	32,000	490	0.28%	Singapore
FKP	FKP Property Group	60,967	320	0.17%	Aust
6434915A	Hongkong Land Holdings Limited	73,000	360	0.19%	Singapore
6912530	Industrial And Commercial Bank Of China	399,000	792	0.44%	Hong Kong
IAG	Insurance Australia Group Limited	425,000	2,244	1.23%	Aust
B174ZJ5	Ishares MSCI India Units	42,000	237	0.12%	Singapore
JFM	JF Meridian Trust	250,000	305	0.16%	Aust
6364766	Kasikornbank Plc Non Vtg Dep Rcpt	180,000	375	0.21%	Thailand
6419365	Kookmin Bank	8,000	882	0.52%	Korea
LLC	Lend Lease Corporation Limited	43,000	601	0.34%	Aust

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

## ASX Additional Information (Cont'd)

(f) **Holdings of Securities (as at 30 June 2006) (Cont'd)**

		Market Value			
		Units	'000	%	
MBL	Macquarie Bank Limited	13,696	943	0.51%	Aust
MCW	Macquarie Countrywide Trust	363,829	661	0.37%	Aust
MGQ	Macquarie Goodman Group	157,176	937	0.50%	Aust
MLE	Macquarie Leisure Trust	350,398	872	0.50%	Aust
MGR	Mirvac Group Stapled Securities	192,627	834	0.45%	Aust
MOC	Mortgage Choice Limited	225,000	574	0.31%	Aust
NAB	National Australia Bank Limited	90,405	3,170	1.76%	Aust
OMP	Oamps Limited	83,996	282	0.15%	Aust
6154622	President Securities	667,000	409	0.22%	Taiwan
PMN	Promina Group Limited	110,000	613	0.32%	Aust
QBE	QBE Insurance Group Limited	5,638	116	0.06%	Aust
SEL	S8 Limited	31,200	215	0.12%	Aust
6201830	Shanghai Real Estate	1,178,000	288	0.15%	Hong Kong
6397502	Shinhan Financial	11,400	720	0.41%	Korea
6806633	Shun Tak Holdings Limited	364,000	634	0.34%	Hong Kong
B0CJMD1	Sinochem Hong Kong Holdings Limited	714,000	374	0.20%	Hong Kong
B068DB9	SM Investments Corporation	53,000	287	0.16%	Philippines
SGB	St George Bank Limited	69,335	2,032	1.16%	Aust
SGP	Stockland	115,811	811	0.45%	Aust
SUN	Suncorp Metway Bank	83,494	1,616	0.89%	Aust
B03CPM9	Taiwan Cooperative Bank	602,000	572	0.31%	Taiwan
TCQ	Trinity Consolidated Group	285,960	375	0.20%	Aust
6916781	United Overseas Bank	79,000	1,041	0.56%	Singapore
WDC	Westfield Group Stapled Securities	102,700	1,753	0.95%	Aust
WBC	Westpac Bank	237,401	5,483	2.97%	Aust
WHG	WHK Group Limited	121,943	707	0.39%	Aust
			<b>47,768</b>	<b>26.2%</b>	

Information Technology					
		Market Value			
		Units	'000	%	
AMO	Ambertech Limited	80,863	38	0.01%	Aust
CDA	Codan Limited	489,155	450	0.23%	Aust
CPU	Computershare Limited	100,080	784	0.41%	Aust
6372480	Mediatek Inc	27,000	337	0.17%	Taiwan
6771720	Samsung Electronic	1,510	1,290	0.73%	Korea
6889106	Taiwan Semiconductor Manufacturing Company	455,233	1,115	0.61%	Taiwan
VSLG	Vision Systems Ltd Designs 9pct Unsec Redeemable CN 15/12/08	206,000	402	0.22%	Aust
			<b>4,416</b>	<b>2.38%</b>	

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**

## ASX Additional Information (Cont'd)

(f) **Holdings of Securities (as at 30 June 2006) (Cont'd)**

<b>Telecommunications</b>					
		<b>Units</b>	<b>Market Value</b>		
			<b>'000</b>	<b>%</b>	
SOT	SP Telemedia Limited	141,829	110	0.06%	Aust
5533976	Swisscom	2,300	1,016	0.55%	Swiss
TEL	Telecom Corporation Of New Zealand Limited	355,000	1,182	0.64%	Aust
4635088	Telekom Austria AG	31,500	950	0.51%	Austria
B02ZK79	Telekomunikasi TBK PT	529,000	564	0.32%	Indonesia
4732495	Telenor	61,000	993	0.55%	Norway
5978384	Telia SEK	126,000	961	0.52%	Sweden
TLS	Telstra Corporation Limited	1,085,000	3,993	2.17%	Aust
TCI	Total Communications Infrastructure Limited	218,000	229	0.12%	Aust
			<b>9,998</b>	<b>5.44%</b>	

<b>Utilities</b>					
		<b>Units</b>	<b>Market Value</b>		
			<b>'000</b>	<b>%</b>	
AIHCA	Alinta Infrastructure Holdings	135,208	229	0.11%	Aust
BBI	Babcock And Brown Infrastructure Group	1,075,571	1,711	0.93%	Aust
B09G2Y6	BKW FMB Energie AG	8,200	956	0.54%	Swiss
7383072	Enagas	34,000	977	0.52%	Spain
7144569	Enel SPA	60,000	697	0.40%	Italy
2317087	Entergy Corporation	10,000	953	0.53%	USA
GAS	Gasnet Australia Group	116,877	296	0.16%	Aust
B0C2CQ3	Gaz De France Eur	23,800	1,074	0.58%	France
5723777	Red Electrica De Espana	20,500	950	0.52%	Spain
4768962	RWE	10,000	1,123	0.62%	France
SPN	SP Ausnet Deferred Settlement	494,000	620	0.34%	Aust
2317087	Entergy Corporation	10,000	953	0.53%	USA
GAS	Gasnet Australia Group	116,877	296	0.16%	Aust
B0C2CQ3	Gaz De France Eur	23,800	1,074	0.58%	France
5723777	Red Electrica De Espana	20,500	950	0.52%	Spain
4768962	RWE	10,000	1,123	0.62%	France
SPN	SP Ausnet Deferred Settlement	494,000	620	0.34%	Aust
			<b>9,586</b>	<b>5.25%</b>	

	SubTotal Equities	184,393
	S&P/ASX 200 options	37
	Foreign Exchange Forward Contracts	-1,413
		<b>183,017</b>

## ASX Additional Information (Cont'd)

### **(g) Portfolio transactions**

The total number of transactions in securities during the reporting period was 3,603. The total brokerage paid or accrued during the period amounted to \$975,638.

### **(h) Current on-market buy-back**

On 11 May 2004, Premium Investors Limited announced a market share buy-back for a 12 month period commencing 25 May 2004. On 23 May 2005, Premium Investors extended the on market share buy-back period for a further 12 months commencing from 25 May 2005. Under the buy-back, the Company was entitled to acquire up to 17,218,250 shares. The company has bought back 1,504,085 shares during the buy back period. The buy-back program has now been terminated.

### **(i) Application of cash**

For the financial period from 1 July 2005 to 30 June 2006, Premium Investors Limited used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with the Company's objective, which is being an investment company specialising in the management of primarily Australian securities.