

# Appendix 4D

## 1. Half yearly report

Name of entity

Premium Investors Limited

ABN:

47 106 259 885

Report for the period

1 July 2005 to 31 December 2005

Previous corresponding period 1 July 2004 to 31 December 2004

## 2. Results for announcement to the market

				<u>AS'000s</u>
Revenues ( <i>item 2.1</i> )	up/(down)	32%	to	19,076
Profit (loss) after tax attributable to members ( <i>item 2.2</i> )	up/(down)	36%	to	12,553
Net profit (loss) for the period attributable to members ( <i>item 2.3</i> )	up/(down)	36%	to	12,553
<b>Dividends (<i>item 2.4</i>)</b>				
It is proposed to pay interim fully franked dividends of 4.0 cents per share.				
Payment Date: 31 March 2006				
Shareholders wishing to participate in the Dividend Reinvestment Plan ("DRP") will be entitled to purchase shares at a discount of 2.5% to the weighted average market price over the period of 5 Business Days starting on the first day that all shares are quoted ex the Cash Dividend.				
To participate in the DRP, shareholders must return their DRP Application Forms to the share registry office by the 10 March 2006.				
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	10 March 2006			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood ( <i>item 2.6</i> ):				
For details, please refer to the attached Financial Report for the 6 months period ended 31 December 2005. Also, please see attached Chairman Address for detailed commentary.				

**2. Net tangible assets per security (item 3)**

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$1.13	\$1.12

**3. Dividends (item 5)**

	Date of payment	Total amount of dividend
Final dividend – year ended 30 June 2005	30 September 2005	\$6,403,203
Interim dividend – year ended 30 June 2006	31 March 2006	\$7,923,832

**Amount per security**

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
<b>Interim dividend:</b> Current year	4.00¢	100%	-¢
Previous year	2.00¢	100%	-¢

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

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

## Periodic Disclosure Requirements Compliance Statement

- 1 An interim report for the half-year ended 31 December 2005 is provided with the Appendix 4D information.
- 2 The final report has been prepared in accordance with AASB 134 Interim Financial Reporting.
- 3 The final report and information provided in Appendix 4D uses the same accounting policies as those applied at 30 June 2005, except mandatory changes under Australian equivalents to International Financial Reporting Standards (A-IFRS).
- 4 The Appendix 4D information gives a true and fair view of the matters disclosed in the interim financial report.
- 5 The Appendix 4D information is based on the interim financial report, which has been subject to review.
- 6 The audit report or review by the auditor is provided with the interim financial report.

Sign here: ..... Date: 24 February 2006  
Company Secretary

Print name: Leah Watson

# Premium Investors Limited

## CHAIRMAN'S ADDRESS

### **Highlights:**

- Increase in Net Tangible Assets per share of 6.36 cents per share after tax for the six months ending December 2005 (increase of 11.44 cents for the corresponding period ending December 2004)
- Interim Dividend increased to 4 cents per share an increase of 100% over the dividend for the corresponding period to December 2004.
- Record date for this dividend is 10<sup>th</sup> March 2006 and the payment date is 31<sup>st</sup> March 2006.
- Dividend Reinvestment Plan continued at a discount of 2.5% to market value.

On behalf of the Board, I am pleased to report our financial results for the six months ended 31<sup>st</sup> December 2005. This is the first time we have reported in accordance with the Australian International Financial Reporting Standards (AIFRS), which requires both realised and unrealised investment gains to be included in the Condensed Income Statement. The new approach has a large impact on what is reported as “profit” and it is worth spending a little time in coming to terms with it. Your Board strongly supports AIFRS for Listed Investment Companies and believes that the new approach provides the most appropriate picture of the performance of all companies.

In previous reports, the Statement of Financial Performance included dividends, interest and other income in the calculation of Net Profit from Ordinary Activities, and excluded Realised and Unrealised Gains which were taken up in Total Changes in Equity. Basic earnings per share were calculated as Net Profit after tax from Ordinary Activities divided by the number of shares on issue. The stated earnings per share were thus previously largely insulated from price movements in the share market.

Under AIFRS, movements in asset values, after provision for tax, are included in earnings per share, whether the assets are sold or not. For an investment company the movement in market prices is the major determinant of earnings per share, and a fall in earnings from one period to the next is not necessarily a cause of concern. In our view, the key figure becomes the change in net tangible assets per share over the period and this is more meaningfully compared with a performance benchmark than the change from a previous accounting period. Premium Investors reports a fall in basic Earnings per Share of 44% compared to the corresponding period, substantially because market conditions were less favourable.

The performance benchmark nominated in the Premium Investors prospectus was the UBS Bank Bill Rate plus 2% per annum to reflect the absolute return focus of the investment portfolio. The fund of funds approach with each manager targeting positive returns through all market conditions is intended to reduce the likelihood of major losses in a severe market downturn and to protect the capacity of the company to continue to pay future dividends at an attractive level. An absolute return focus does not mean that basic earnings per share will not fluctuate from year to year, but rather that the downside should be less than would be the case had the focus been on beating the market.

We provided some further guidance on our dividend policy when we announced the interim dividend for the current accounting period on 21<sup>st</sup> February 2006. Your Board is committed to returning your profits to you in the form of dividends to the extent permitted by law and prudent business practice.

We were pleased to announce that this interim dividend is 4 cents per share, an increase of 100% over the interim dividend paid in respect of the corresponding period in last financial year. This dividend is 63% of the earnings made during the six months to December 2005.

The increased payment will bring total dividends to 8 cents per share, fully franked over the rolling twelve month period. On the current share price of 97 cents, the dividend yield for Premium Investors increases to 8.25%. For an Australian taxpayer who takes franking credits into account, this is equivalent to a yield of 11.8% pre tax.



Don Sharp  
Chairman

# Premium



## Investors Limited

ABN 47 106 259 885

**INTERIM FINANCIAL REPORT  
FOR THE 6 MONTHS ENDED  
31 DECEMBER 2005**

**This half-year report is to read in  
conjunction with the financial report for  
the year ended 30 June 2005**

**PREMIUM INVESTORS LIMITED  
INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2005**

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

**DIRECTORS' REPORT**

The directors of Premium Investors Limited submit herewith the condensed financial report and independent review report for the half-year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

**Name**

John Elfverson, Managing Director (appointed 1 August 2005)

Don Sharp, Chairman (appointed 26 July 2005)

Rodney Green

Kenneth Stout

Wilfred Thomas Collins (appointed 26 October 2005)

Joel Bloom (resigned 26 October 2005)

Robert Kipp, Managing Director (resigned 26 July 2005)

**REVIEW OF OPERATIONS**

Premium Investors Limited is an investment company that operates on the principle of pooled investment and specialises in the management of predominately Australian marketable securities. There has been no significant change in the nature of the activities during the half-year ended 31 December 2005.

The Company generated a net profit from operations after income tax of \$12,553,192 for the six months period ended 31 December 2005. This compares with a restated net profit of \$19,701,850 reported for the corresponding period ended 31 December 2004. Restated basic and diluted earnings per share have also decreased from 11.44 cents per share to 6.36 cents per share for the six months period ended 31 December 2005.

**AUDITOR'S DECLARATION**

A copy of the auditor's declaration in relation to the review for the half-year is provided with this report.

**ROUNDING**

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in according with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.



John Elfverson  
Managing Director  
Sydney, 24 February 2006

**AUDITOR'S INDEPENDENCE DECLARATION**  
**To the Directors of Premium Investors Ltd.**

In relation to the half-year independent review for the six months to 31 December 2005, 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

  
PITCHER PARTNERS

**Dated on 24 February 2006**  
**Melbourne**

  
**T J BENFOLD**  
**Partner**

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**CONDENSED INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	Note	6 Months ended 31 Dec 2005 \$'000	6 Months ended 31 Dec 2004 \$'000
Revenue	2a	5,968	4,159
Unrealised gains on long term investments		1,826	14,407
Realised gains on long term investments		11,282	9,550
Expenses	2b	(1,750)	(1,348)
<b>Profit before income tax expense</b>		<b>17,326</b>	<b>26,768</b>
Deferred tax expense on unrealised gains		(902)	(4,322)
Income tax expense		(3,871)	(2,744)
<b>Net profit for the period after tax</b>		<b>12,553</b>	<b>19,702</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>12,553</b>	<b>19,702</b>
Basic earnings per share (cents per share)		6.36	11.44
Diluted earnings per share (cents per share)		6.36	11.44
Interim franked dividends per share (cents per share)		4.0	2.0

The accompanying notes form part of these financial statements.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**CONDENSED BALANCE SHEET**  
**AS AT 31 DECEMBER 2005**

		As at 31 Dec 2005	As at 30 June 2005
	Note	\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	47,423	64,883
Trade receivables		2,160	1,979
Other		85	29
<b>TOTAL CURRENT ASSETS</b>		<b>49,668</b>	<b>66,891</b>
<b>NON-CURRENT ASSETS</b>			
Deferred tax asset		-	14
Other financial assets	5	188,598	167,619
<b>TOTAL NON-CURRENT ASSETS</b>		<b>188,598</b>	<b>167,633</b>
<b>TOTAL ASSETS</b>		<b>238,266</b>	<b>234,524</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,400	7,120
Tax liabilities		8,339	4,484
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,739</b>	<b>11,604</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		5,483	4,578
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,483</b>	<b>4,578</b>
<b>TOTAL LIABILITIES</b>		<b>15,222</b>	<b>16,182</b>
<b>NET ASSETS</b>		<b>223,044</b>	<b>218,342</b>
<b>EQUITY</b>			
Share capital	6	194,099	194,089
Retained profits		28,945	24,253
<b>TOTAL EQUITY</b>		<b>223,044</b>	<b>218,342</b>

The accompanying notes form part of these financial statements.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**CONDENSED CASH FLOW STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	<b>6 Months ended 31 Dec 2005 \$'000</b>	<b>6 Months ended 31 Dec 2004 \$'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Payments to suppliers	(4,496)	(2,806)
Dividends and distributions received	3,959	3,378
Interest received	1,467	1,394
Other income received	4	6
<b>Net cash provided by operating activities</b>	<b>934</b>	<b>1,972</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets	80,707	60,424
Purchase of financial assets	(91,250)	(68,341)
<b>Net cash (used in) investing activities</b>	<b>(10,543)</b>	<b>(7,917)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	-	25,728
Payment for shares bought-back	(1,428)	-
Dividend paid	(6,423)	(2,750)
<b>Net cash (used in)/provided by financing activities</b>	<b>(7,851)</b>	<b>22,978</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(17,460)</b>	<b>17,033</b>
Cash and cash equivalents at the beginning of the half-year	64,883	60,230
<b>Cash and cash equivalents at end of the half-year</b>	<b>47,423</b>	<b>77,263</b>

The accompanying notes form part of these financial statements.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	6 Months ended 31 Dec 2005 \$'000	6 Months ended 31 Dec 2004 \$'000
<b>Total equity at 1 July</b>	12 <u>218,342</u>	<u>176,201</u>
<b>Profit for the half-year</b>	<u>12,553</u>	<u>19,702</u>
<b>Total recognised income and expense for the half-year</b>	<u><b>12,553</b></u>	<u><b>17,256</b></u>
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	10	9,386
Dividends provided for or paid	3 <u>(7,861)</u>	<u>(2,750)</u>
	<u>(7,851)</u>	<u>6,636</u>
<b>Total equity at 31 December</b>	<u><b>223,044</b></u>	<u><b>202,539</b></u>
Total recognised income and expense for the half-year attributable to members of Premium Investors Limited	<u>12,553</u>	<u>17,256</u>

The accompanying notes form part of these financial statements.

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

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**NOTE 1: SUMMARY OF ACCOUNTING POLICIES**

**Basis of preparation**

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The Company changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the Company's financial position, financial performance and cash flows is discussed in Note 12.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2005 (as disclosed in note 12), the Company's date of transition. The impact of changes in these accounting policies on 1 July 2005, the date of transition for financial instruments, is discussed further in note 1(e).

**Significant accounting policies**

The accounting policies applied are consistent with the most recent financial report for the year ended 30 June 2005, except as stated below:

**(a) Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency with current period disclosures.

**(b) 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.

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

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

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

**(c) Financial assets**

*(i) Classification*

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

*(ii) Valuation*

Securities are initially brought to account at cost on trade date.

From 1 July 2005 financial assets have been classified as "assets held for trading" and recognised in the Balance Sheet at fair value, with changes in fair value during the period recognised in the Income Statement.

AASB 139 *Financial Instruments: Recognition and Measurement* 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 are no longer valued at "net market value" using the last sale price net of disposal costs.

*(iii) 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.

**(d) Income tax**

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

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 liability 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.

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 INTERIM FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

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

**(e) Financial instruments**

Accounting for financial instruments is changing under A-IFRS. From 1 July 2005, the Company has adopted Accounting Standards AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. Options will now be fair valued using “bid” prices on long positions, and “offer” prices on short positions.

**NOTE 2: REVENUE AND EXPENSES**

Profit from continuing operations before income tax includes the following specific gains and expenses:

	<b>6 Months ended 31 Dec 2005</b>	<b>6 Months ended 31 Dec 2004</b>
<b>(a) Revenue from continuing operations</b>		
Dividend income	3,510	2,778
Interest income	1,491	1,374
Other income	967	7
	<hr/>	<hr/>
	5,968	4,159
<b>(b) Profit from continuing operations before income tax includes the following specific expenses</b>		
Administration costs	439	231
ASX and share registry costs	129	149
Fund management fees	1,182	968
	<hr/>	<hr/>
	1,750	1,348

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

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	<b>31 Dec 2005</b>	<b>31 Dec 2004</b>
	\$	\$
<b>NOTE 3: DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES</b>		
Dividends paid or provided for in the current and comparative periods by Premium Investors Limited are:		
<b>(a) Dividends paid during the half year</b>		
Final fully franked dividends (2.0 cents per share) (2004: 1.6 cents per share)	7,860,655	2,749,672
<b>(b) Dividends proposed and not recognised as a liability*</b>		
Interim fully franked dividends (4.0 cents per share) (2004: 2.0 cents per share)	7,923,832	4,042,036

\* Calculation based on the ordinary shares on issue as at 31 January 2006

**NOTE 4: CASH AND CASH EQUIVALENTS**

Cash at bank	3,135	832
Cash held for investment	44,288	64,051
	47,423	64,883

**NOTE 5: OTHER FINANCIAL ASSETS**

Investments at fair value	188,598	167,619
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**NOTE 6: SHARE CAPITAL**

	<b>31 December 2005</b>		<b>30 June 2005</b>	
	\$'000		\$'000	
<b>(a) Issued and paid up capital</b>				
Ordinary shares fully paid	194,099		194,089	
<b>(b) Movements in shares on issue</b>				
	<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	1,579,430	1,437,451	898,855	862,902
Bought back during the period	(1,504,085)	(1,427,892)	(4,980,187)	(4,677,775)
End of the period	<b>198,095,796</b>	<b>194,098,593</b>	<b>198,020,451</b>	<b>194,089,034</b>

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

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**NOTE 7: SEGMENT INFORMATION**

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

**NOTE 8: 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 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 9: SUBSEQUENT EVENT**

On 21 February 2006, the directors of Premium Investors Limited declared an interim dividend on ordinary shares in respect of the June 2006 year. The total amount of the dividend is \$7,923,832, which represents a fully franked dividend of 4.0 cents per share. The dividend has not been provided for in the 31 December 2005 half-year financial statements and will be recognised in subsequent financial reports.

**NOTE 10: CONTINGENT LIABILITIES**

A performance fee for the financial year ending 30 June 2006 is payable at 20% of the amount by which the Portfolio's annual performance after the deduction of base fee exceeds the return achieved by the UBS Australian Bank Bill Index plus 2% per annum (the "Benchmark") to a maximum of 1% of the Company's Adjusted Portfolio Value.

Any performance deficit, being both the rate of return of the Portfolio and the rate of return of the Portfolio less the Benchmark are negative for a financial year, is aggregated and carried forward. No performance fee becomes payable until the aggregate of the performance deficit amounts for previous financial years are fully recouped.

The 6-month pre-tax performance of the Portfolio was 8.81% (2005: 16.18%) compared to the Benchmark of 3.84% (2004: 3.78%). Based on the Portfolio value as at 31 December 2005, the maximum potential performance fee payable for the full financial year ending 30 June 2006 in respect of performance to 31 December 2005 would be approximately \$1,180,000 (2004: \$1,960,000).

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

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**NOTE 10: CONTINGENT LIABILITIES (Cont'd)**

The actual performance fee for the financial year is subject to the future performance of the Company's Portfolio determined on 30 June 2006. The 6 month performance fee has accordingly not been accrued.

**NOTE 11: NET TANGIBLE ASSETS**

	<b>31 Dec 2005</b>	<b>31 Dec 2004</b>
	<b>Cents</b>	<b>Cents</b>
NTA per share after tax (excluding contingent performance fee)	112.6	111.8
NTA per share after tax (including contingent performance fee)	112.0	110.7

**NOTE 12: IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Company changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the Company's financial position, financial performance and cash flows is 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 130 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 should be valued at their fair values without any deduction for transactions costs that may be incurred on sale or other disposal. Financial assets are no longer valued at "net market value" using the last sale price net of disposal costs.

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

This has resulted in a decrease 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.

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

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**NOTE 12: IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)**

**(b) Income taxes**

Under the AASB 112 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. Previously, the capital gains tax effects of asset revaluations were not recognised.

**(c) 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>	176,201

**(d) Reconciliation of Profit from Continuing Operations after Tax for the half-year ended 31 December 2004**

<b>Profit after tax for the half-year to 31 December 2004:</b>	<b>\$'000</b>
<i>As reported under Australian Accounting Standards</i>	2,971
Net gain on financial instruments not previously recognised in the income statement for the half-year	21,053
Deferred tax adjustment for the half-year	(4,322)
<i>As restated under AIFRS for the half-year ended 31 December 2004</i>	19,702

**(e) Reconciliation of Total Equity at 31 December 2004**

<b>Total equity at 31 December 2004:</b>	<b>\$'000</b>
<i>As reported under Australian Accounting Standards</i>	209,307
Adjustments to profit for the half-year as described above (deferred tax adjustment)	(4,322)
Adjustments to equity for the half-year as described above	(2,446)
<i>As restated under AIFRS</i>	202,539

**(f) 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>	22,490

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

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**NOTE 12: IMPACTS OF THE ADOPTION OF THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)**

**(g) 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" adjustments)	(2,537)
<u>Adjustments to equity for the year as described above</u>	<u>(2,446)</u>
<u><i>As restated under AIFRS</i></u>	<u>218,342</u>

**(h) Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2005**

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

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

**DIRECTORS' DECLARATION**

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the disclosing Company will be able to pay its debts as and when they become due and payable; and
- (b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the directors

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

John Elfverson  
Managing Director

Sydney, 24 February 2006

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

**Scope**

We have reviewed the condensed consolidated financial report of Premium Investors Ltd for the half-year ended 31 December 2005 as set out on pages 3 to 15. The directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the entity to lodge the financial report with the Australian Securities and Investments Commission.

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

**Statement**

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

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory professional reporting requirements in Australia.

  
PITCHER PARTNERS

  
T J BENFOLD  
Partner

**Dated on 24 February 2006  
Melbourne**