

# Appendix 4E

## 1. Preliminary final report

Name of entity

Premium Investors Limited

ABN: 47 106 259 885

Report for the year ended 30 June 2007

## 2. Results for announcement to the market

Revenues from continuing operations ( <i>item 2.1</i> )	up/down	0%	to	A\$'000s \$10,594
Profit (loss) from continuing operations after tax attributable to members ( <i>item 2.2</i> )	up/down	108%	to	\$46,034
Net profit (loss) for the period attributable to members ( <i>item 2.3</i> )	up/down	108%	to	\$46,034
<b>Dividends (<i>item 2.4</i>)</b>				
It is proposed to pay a final fully franked dividend of 4.5 cents per share.				
Payment Date: 28 <sup>th</sup> September 2007				
Fully franked interim dividend of 4.0 cents per share paid 5 April 2007.				
Fully franked final dividend of 4.0 cents per share in respect the year ended 30 June 2006 paid 29 September 2006.				
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	13 <sup>th</sup> September 2007			
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 2007. 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 2007	28 <sup>th</sup> September 2007	\$9,553,364
Interim dividend – period ended 30 June 2007	5 April 2007	\$8,273,130
Final dividend – period ended 30 June 2006	29 September 2006	\$8,015,181

**Amount per security**

	<b>Amount per security</b>	<b>Franked amount per security at 30% tax</b>	<b>Amount per security of foreign sourced dividend</b>
<b>Final dividend:</b> Year ended 30 June 2007	4.5¢	100%	-¢
<b>Interim dividend:</b> Year ended 30 June 2007	4.0¢	100%	-¢
<b>Final Dividend:</b> Year ended 30 June 2006	4.0¢	100%	-¢

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

	<b>Current period</b>	<b>Previous corresponding period</b>
Net tangible asset backing per ordinary security	126.8¢	113.2¢

**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 2007 annual report.**

**Periodic Disclosure Requirements Compliance Statement**

- 1 An annual report for the year ended 30 June 2007 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: 29 August 2007  
(Company Secretary)

Print name: John Elfverson

# Premium<sup>★</sup>



## Investors Limited

ABN 47 106 259 885

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2007**

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

**CORPORATE INFORMATION**

**Directors**

Don Sharp, Chairman  
John Elfverson  
Kenneth Stout  
Tom Collins

**Company Secretary**

John Elfverson

**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, New South Wales, 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  
FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2007**

**TABLE OF CONTENTS**

	<b>Page</b>
Directors' Report	<b>1</b>
Auditor's Independence Declaration	<b>7</b>
Corporate Governance Statement	<b>8</b>
Financial Report for the year ended 30 June 2007	
Income Statement	<b>16</b>
Balance Sheet	<b>17</b>
Statement of Changes in Equity	<b>18</b>
Statement of Cash Flows	<b>19</b>
Notes to the Financial Statements	<b>20</b>
Directors' Declaration	<b>38</b>
Independent Audit Report	<b>39</b>
ASX Additional Information	<b>41</b>

**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 2007 and independent audit report thereon. This financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards. Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRS).

**Information on Directors and Company Secretary**

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 to 6 August 2007, Director and Company Secretary from 6 August 2007) B. Eng

John 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 John was Manager of Research at Assirt Pty Limited.

**Mr Don Sharp** (Chairman) B.Bus (Acc), CPA, CFP, ICD

Don Sharp comes to Premium 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, Don Sharp was instrumental in Bridges advising its clients on investments in listed investment companies and property trusts.

Mr Sharp was also a director of Treasury Group Limited, Investors Mutual Limited and Global Value Investors Limited.

**Mr Kenneth Stout** (Non-Executive Director) Aust Chartered Accountant, Dipl Bus (Accounting), Graduate Dipl of Bus (Accounting), Chartered Secretary

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 Stout is a member of the Audit Committee.

**Mr Tom Collins** (Non Executive Director) Diploma of Financial Planning, Diploma of Business (Real Estate Management)

Mr Collins has had 40 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, 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.

Mr Collins is a member of the Audit Committee.

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

**DIRECTORS' REPORT (Continued)**

**Mrs Leah Watson** (Company Secretary appointed 21 February 2006, resigned 6<sup>th</sup> August 2007)

Mrs Watson has nine years commercial and professional experience, and prior to joining Treasury Group, worked with the Middle Market Advisory services of KPMG, and Corporate Services at Hall Chadwick Chartered Accountants & Business Advisors. Mrs Watson is also a member of the Chartered Secretaries Australia.

**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	344,803
Kenneth Stout	7,675
Tom Collins	-

<b>Earnings Per Share</b>	<b>Cents</b>
Basic earnings per share	22.97
Diluted earnings per share	22.97

<b>Dividends</b>	<b>Cents</b>	<b>\$</b>
Final dividends recommended:		
• On ordinary shares fully franked	4.5	9,553,364
Final dividends for 2006 shown as recommended in the 2006 report:		
• On ordinary shares fully franked	4.0	8,015,181
Dividends paid in the financial period:		
<i>Interim for the financial period</i>		
• On ordinary shares fully franked	4.0	8,273,130

**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 Australian and international marketable securities. There has been no significant change in the nature of the activities during the year ended 30 June 2007.

***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.

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

**DIRECTORS' REPORT (Continued)**

**Employees**

The Company procures services under a management agreement as disclosed in Note 16 to the financial statements and as such had no direct employees during the financial year ending 30th June 2007. Pursuant to the renegotiation of the management agreement which took effect from 6th August 2007, The company now employs the Company Secretary directly and procures other services under the revised management agreement.

**Operating Results for the Year Ended 30 June 2007**

The profit of the Company for the year after providing for income tax amounted to \$46.0m (2006 \$22.2m).

**Review of Operations**

The Dividend Reinvestment Plan which commenced with the interim dividend for the year ending June 2005 was continued for the final dividend for the year ending June 2006 and the interim dividend for the year ending June 2007. 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 company introduced a Share Purchase Plan to coincide with the final dividend for the year ending June 2006. The plan allowed shareholders to invest up to \$2,500 in additional shares in Premium Investors at a discount of 2.5% to the volume weighted average market price over the period of 5 Business Days leading up to the final date of the plan. The Share Purchase Plan was again offered to shareholders on similar terms to coincide with the interim dividend for the year ending June 2007.

The on market share buy back scheme commenced on 25th May 2005 expired on 25<sup>th</sup> May 2006 and a new scheme was not introduced.

**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**

Dividend

On 29 August 2007, the Directors of Premium Investors Limited declared a final dividend on ordinary shares in respect of the June 2007 year. The total amount of the dividend is \$9,553,564, which represents a fully franked dividend of 4.5 cents per share. The dividend has not been provided for in the 30 June 2007 financial statements and will be recognised in subsequent financial reports.

Managing Director

The Board has decided that the Company no longer requires the services of a full time Managing Director. The current Managing Director, John Elfverson, whose services are provided under contract from Treasury Group Investment Services Limited ('TIS'), steps down from that role, effective from 6 August 2007. John will continue to serve as a Director of Premium and also took on the role of Company Secretary following Leah Watson's resignation.

Revised Investment Management Agreement

On 6th August 2007 Premium Investors Limited and TIS executed an Amended Investment Management Agreement and a Management Services Agreement which replaces the existing Investing Management Agreement between Premium and TIS.

The revised Investment Management Agreement maintains the absolute return focus of the investment portfolio, with a revised investment benchmark of 7% after fees and income taxes. This replaced the existing cash plus 2% benchmark used in the original agreement.

All fee arrangements have also been re-negotiated. Base management fees for investment management have been reduced from 1% per annum, based on monthly assets to 0.9% per annum based on monthly assets. Performance fees remain at 10% of outperformance of the new benchmark for TIS and 10% for each of its underlying investment managers. Performance fees payable by Premium are currently capped at an amount equal to the base management fees. Under the revised arrangements, performance fees will be capped at 1 1/9ths of the base management fees to reflect the reduction in base management fees.

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

**DIRECTORS' REPORT (Continued)**

**Likely Developments and Expected Results**

In the opinion of the Directors, disclosure of information regarding likely developments in the operations of the Company and the expected results of those operations other than matters referred in the Chairman's address would prejudice the Company's interest. Accordingly no further information is included in this report.

**Environmental Regulation and Performance**

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

**Indemnification and Insurance of Directors, Officers and Auditors**

The Company has entered into an agreement for the purpose of indemnifying Directors and officers of the Company against all losses and liabilities incurred by the Directors or officers on behalf of the Company.

The following liabilities, except for a liability for legal costs, are excluded from the above indemnity:

- A liability owed to the Company or related body corporate;
- A liability for pecuniary penalty order under section 1317G or a compensation order under section 1317H of the Corporations Act;
- A liability owed to someone other than the Company or a related body corporate and did not arise out of conduct in good faith;
- Any other liability against which the Company is precluded by law from indemnifying the Director.

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 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 body**

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

**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:

**30 June 2007**

	<u>Annual Emoluments</u>			<u>Long-term Emoluments</u>		
	<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	60,000	-	-	-	-	60,000
Kenneth Stout Non-Executive Director	27,523	-	-	-	2,477	30,000
Tom Collins Non- Executive Director	27,523	-	-	-	2,477	30,000

The Managing Director and Company Secretary did not receive any remuneration from the Company.

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

**DIRECTORS' REPORT (Continued)**

**30 June 2006**

	<u>Annual Emoluments</u>			<u>Long-term Emoluments</u>		
	Base fee \$	Bonus \$	Other \$	Termination & Similar Payments \$	Superannuation \$	Total \$
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

The Managing Director and Company Secretary did not receive any remuneration from the Company.

**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:

Number of meetings	Directors Meeting		Audit Committee Meetings	
	Eligible to attend	Attended	Eligible to attend	Attended
John Elfverson	6	6	-	-
Don Sharp	6	6	-	-
Kenneth Stout	6	6	4	4
Tom Collins	6	6	4	4

**Committee Membership**

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

**Share Options**

As at the end of this report, there were no un-issued ordinary shares under options (2006: Nil).

**Director's Interest in Contracts**

Mr Don Sharp is the Chairman and was also a Director of Treasury Group Ltd, Investors Mutual Ltd and Global Value Investors Ltd until 16 May 2007. Treasury Group Investment Services Ltd (TIS) is a subsidiary of Treasury Group Ltd. TIS has a material contract with the Company the details of which are disclosed in Note 16 of the financial statements.

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

**DIRECTORS' REPORT (Continued)**

**Audit Services**

The Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the year ended 30 June 2007. 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. The nature and scope of each type of non-audit services provided means that auditor independence was not compromised.

Pitcher Partners received \$16,099 in respect of tax compliance and related services 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:

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

JOHN ELFVERSON  
Director

Sydney, 29 August 2007

**PREMIUM INVESTORS LTD**

**AUDITOR'S INDEPENDENCE DECLARATION**

*To the Directors of Premium Investors Ltd*

In relation to the independent audit for the year ended 30 June 2007, 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.



**B J BRITTEN**

Dated on 29 August 2007



**Pitcher Partners**

Melbourne

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

**CORPORATE GOVERNANCE STATEMENT**

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

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

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at <http://www.asx.com.au/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. The Board outsources the management of the Company's investment portfolio and its administrative functions to Treasury Group Investment Services Limited in accordance with the direction and delegations of the Board.

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 and the Chief Financial Officer.

**1.2 Composition of the Board**

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The 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 independent 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.

Don Sharp is the Chairman and a Non-Executive Director of the Company and was 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 was 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, Don Sharp did 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, management and employees.
2. Strategy Formulation: working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long term budgets.
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.

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**  
**ABN 47 106 259 885**

**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* 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 certain employees 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 CFO and Managing Director*

In accordance with the Board's policy, the CFO and Managing Director 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**  
**ABN 47 106 259 885**

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

**2. Board Committees**

**2.1 Audit Committee**

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

*2.1.1 Role*

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

*2.1.2 Composition*

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

The current members of the Audit Committee are Mr Stout and Mr 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 Committee held one meeting.

*2.1.3 Responsibilities*

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

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

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

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

As stated in 2.2.1 the remuneration of the senior executives is provided for under the service contract with Treasury Group Investment Services Ltd.

*2.2.3 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 4 members should undertake this responsibility. As such, the Company does not have a separate nomination committee.

*2.3.1 Criteria for selection of Directors*

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

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

**3. Company Code Of Conduct**

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

*Responsibilities to Shareholders and the Financial Community Generally*

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

*Obligations Relative to Fair Trading and Dealing*

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

*Responsibilities to the Community*

As part of the community the Company:

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

*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.

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

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

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

*Conflicts of Interest*

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

*How the Company Complies with Legislation Affecting its Operations*

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

*How the Company Monitors and Ensures Compliance with its Code*

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

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>\$'000</b>	<b>\$'000</b>
Revenue	4(a)	10,594	10,543
Unrealised gains on financial assets at fair value through the profit and loss		22,590	1,608
Realised gains on investment assets		37,197	23,216
Expenses	4(b)	<u>(7,001)</u>	<u>(5,384)</u>
<b>Profit before tax expense</b>		<b>63,380</b>	<b>29,983</b>
Deferred income tax expense	5(a)	(6,871)	(687)
Income tax expense	5(a)	<u>(10,475)</u>	<u>(7,136)</u>
<b>Profit after tax expense</b>	<b>13</b>	<b><u>46,034</u></b>	<b><u>22,160</u></b>
Basic earnings per share (cents per share)	17	22.30	11.17
Diluted earnings per share (cents per share)	17	22.30	11.17
Final franked dividends per share (cents per share)	6	4.5	4.0
Interim franked dividends per share (cents per share)	6	4.0	4.0

The accompanying notes form part of these financial statements.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2007**

<b>ASSETS</b>	<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	7	55,293	56,056
Trade and other receivables	9	20,057	3,554
Other Assets	10	394	195
Investment assets	8	221,368	183,017
<b>TOTAL ASSETS</b>		<b>297,112</b>	<b>242,822</b>
<b>LIABILITIES</b>			
Trade and other payables	11	5,072	4,462
Current tax liabilities	5(c)	10,618	6,221
Deferred tax liabilities	5(d)	12,121	5,250
<b>TOTAL LIABILITIES</b>		<b>27,811</b>	<b>15,933</b>
<b>NET ASSETS</b>		<b>269,301</b>	<b>226,889</b>
<b>EQUITY</b>			
Contributed Equity	12	208,926	196,260
Retained earnings	13	60,375	30,629
<b>TOTAL EQUITY</b>		<b>269,301</b>	<b>226,889</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 YEAR ENDED 30 JUNE 2007**

	Note	2007 \$'000	2006 \$'000
<b>Total equity at 1 July</b>		226,889	218,342
<b>Profit for the financial year</b>		46,034	22,160
<b>Total recognised income and expense for the year</b>		<b>46,034</b>	<b>22,160</b>
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	12	12,666	2,171
Dividends paid	6	(16,288)	(15,784)
		(3,622)	(13,613)
<b>Total equity at 30 June</b>		<b>269,301</b>	<b>226,889</b>
Total recognised income and expense for the financial year attributable to members of Premium Investors Limited		46,034	22,160

The accompanying notes form part of these financial statements.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Payments to suppliers	(6,535)	(6,237)
Dividends and distributions received	7,750	7,492
Interest received	2,615	2,959
Other income received	20	162
Income tax paid	(6,078)	(5,400)
<b>Net cash (used in) operating activities</b>	<b>14(a) (2,228)</b>	<b>(1,024)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets	232,003	204,195
Purchase of financial assets	(226,908)	(198,384)
<b>Net cash provided by investing activities</b>	<b>5,095</b>	<b>5,811</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	8,863	-
Payment for shares bought-back	-	(1,428)
Dividend paid	(12,493)	(12,186)
<b>Net cash (used in) financing activities</b>	<b>(3,630)</b>	<b>(13,614)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(763)</b>	<b>(8,827)</b>
Cash and cash equivalents at the beginning of the year	56,056	64,883
<b>Cash and cash equivalents at end of the year</b>	<b>14(b) 55,293</b>	<b>56,056</b>

The accompanying notes form part of these financial statements.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**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 Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on an accrual and historical cost basis, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

The Board authorised the report for issue on 29 August 2007.

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.

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).

**(b) 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.

**(c) Trade and other receivables**

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

**(d) Payables**

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

**(e) 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 YEAR ENDED 30 JUNE 2007**

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

**(f) 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.

**(g) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Current tax is the expected tax payable on the taxable income, for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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 YEAR ENDED 30 JUNE 2007**

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

**(h) 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.

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 arms length transaction. Shares and options are 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 arms 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.

**(i) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- 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.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

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

**(j) 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.

**(k) 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 item is fixed in the contract) are translated using the spot rate at the end of the financial year.

**(l) 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.

**(m) Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

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

Estimates and judgements are based on past performance and management's expectation for the future.

**Critical accounting estimates and assumptions**

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.

*Income taxes*

Income tax benefits are based on assumptions 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 law.

**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 Company enters into forward exchange contracts to buy and sell specific amounts of foreign currencies in the future at stipulated exchange rates.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000

**NOTE 4: REVENUES AND EXPENSES**

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

**(a) Revenues from continuing operations**

Dividend income	7,918	7,484
Interest income	2,656	2,897
Other income	20	162
	10,594	10,543

**(b) Profit from continuing operations has been arrived at after charging the following expenses**

Administration costs	916	953
ASX and share registry costs	313	227
Fund management fees	5,772	4,204
	7,001	5,384

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**2007**                      2006  
**\$'000**                        \$'000

**NOTE 5: INCOME TAX**

**(a) The components of tax expense:**

Current tax	10,475	7,136
Deferred tax	6,871	687
<i>Total income tax expense</i>	17,346	7,823

**(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:**

Profit before tax expense	63,380	29,983
At the statutory income tax rate of 30% (2006: 30%)	19,014	8,994
Tax effect of amounts which are refundable in calculating taxable income		
Rebateable dividends / distributions	(1,279)	(1,320)
Capital raising costs	(253)	(254)
Other	(136)	223
Under provision in prior years	-	180
<i>Income tax expense</i>	17,346	7,823

**(c) Current tax liabilities**

Opening tax liability	6,221	4,485
Tax payments	(6,078)	(5,400)
Current tax	10,475	7,136
Current tax liability	10,618	6,221

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>NOTE 5: INCOME TAX (cont'd)</b>		
<b>(d) Deferred tax relates to the following</b>		
<i>Deferred tax liabilities</i>		
Revaluation of investment assets	12,137	5,261
Other	-	4
<i>Total deferred tax liabilities</i>	12,137	5,265
<i>Deferred tax assets</i>		
Deductions on incurred expenditure deferred to future years	16	15
<i>Total deferred tax assets</i>	16	15
<i>Net deferred tax assets / liabilities</i>	12,121	5,250

	<b>2007</b>	<b>2006</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) (2006: 4.0 cents per share)	8,273,130	7,923,832
<i>Previous year final</i>		
Final fully franked dividends (4.0 cents per share) (2006: 4.0 cents per share)	8,015,181	7,860,655
<i>Total Dividends declared and paid</i>	16,288,311	15,784,487
<b>(b) Declared by Directors on 29 August 2007 (not recognised as a liability at 30 June 2007)</b>		
<i>Current year final</i>		
Final fully franked dividends (4.5 cents per share) (2006: 4.0 cents per share)	9,553,364	8,015,181

\* Calculation based on the ordinary shares on issue as at 30 June 2007

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	\$	\$

**NOTE 6: DIVIDENDS (cont'd)**

**(c) Franking credit balance**

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%	900,287	180,458
- franking credit that will arise from the payment of income tax payable as at the end of the financial period	10,617,257	6,205,647
- franking credit that will arise from the receipt of dividends recognised as receivable at the reporting date	120,216	137,766
	11,637,760	6,523,871

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**

	\$'000	\$'000
Cash at bank	469	2,400
Cash held for investment	54,824	53,656
	55,293	56,056

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
<b>NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS</b>		

Investments at fair value through profit and loss	<u>221,368</u>	<u>183,017</u>
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**NOTE 9: TRADE AND OTHER RECEIVABLES**

*Current*

Dividend receivable		1,017	862
Interest receivable		255	212
Outstanding settlements receivable	9(a)	<u>18,785</u>	<u>2,480</u>
		<u>20,057</u>	<u>3,554</u>

(a) Terms and conditions

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

**NOTE 10: OTHER ASSETS**

*Current*

Prepayments		41	38
GST Receivable		225	26
Other		<u>128</u>	<u>131</u>
		<u>394</u>	<u>195</u>

**NOTE 11: PAYABLES**

*Current*

Outstanding settlements payable	11(a)	1,966	2,017
Other creditors and accruals	11(a)	<u>3,106</u>	<u>2,445</u>
		<u>5,072</u>	<u>4,462</u>

(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.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**NOTE 12: CONTRIBUTED EQUITY**

	<b>2007</b>		2006	
	<b>\$'000</b>		\$'000	
<i>(a) Issued and paid up capital</i>				
Ordinary shares fully paid	208,926		196,260	
<i>(b) Movements in shares on issue</i>				
	<u>No. of shares</u>	\$	<u>No. of shares</u>	\$
Beginning of the financial year	200,379,522	196,259,962	198,020,451	194,089,034
Issued during the year:				
- share placements*	8,383,812	8,871,000	-	-
- dividend reinvestment plan	3,538,094	3,795,497	3,863,156	3,598,821
Bought back during the period	-	-	(1,504,085)	(1,427,893)
Total movement during period	<u>11,921,906</u>	<u>12,666,497</u>	<u>2,359,071</u>	<u>2,170,928</u>
End of the financial year	<u>212,301,428</u>	<u>208,926,459</u>	<u>200,379,522</u>	<u>196,259,962</u>

\*The Share placements occurred under the Company's share purchase plan which offers existing investors the right to purchase additional shares in the Company. The maximum value of shares offered to each investor is currently \$5,000 in any one year.

**NOTE 13: RETAINED EARNINGS**

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Balance at beginning of the financial year	30,629	24,253
Net profit attributable to members of Premium Investors Ltd	46,034	22,160
Dividends paid	(16,288)	(15,784)
Balance at the end of the financial year	<u>60,375</u>	<u>30,629</u>

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>NOTE 14: CASH FLOW INFORMATION</b>		
<i>(a) Reconciliation of net profit after tax to net cash flows from operations</i>		
Profit for the financial year	46,034	22,160
<b>Non cash Items</b>		
(Gain) on sale of financial assets	(37,197)	(23,216)
(Gain) on revaluation of financial assets	(22,590)	(1,608)
<b>Change in assets and liabilities</b>		
(Increase) / decrease in dividend receivable	(155)	90
(Increase) / decrease in interest receivable	(43)	63
(Increase) in withholding tax reclaims	(6)	(125)
(Increase) in deferred tax asset	(1)	(1)
Decrease in prepayments	(3)	(18)
Decrease in sundry debtors	3	-
(Increase) in GST receivable	(199)	(23)
Increase / (decrease) in other creditors and accruals	661	(770)
Increase in tax liabilities	11,268	2,424
<b>Net cash flow from operating activities</b>	<b>(2,228)</b>	<b>(1,024)</b>
<i>(b) Reconciliation of cash and cash equivalent</i>		
<b>Cash balance comprises</b>		
Cash assets	469	2,400
Cash held for investment	54,824	53,656
<b>Closing cash balance</b>	<b>55,293</b>	<b>56,056</b>
<i>(c) Financing facilities available</i>		
At reporting date, Premium Investors Limited did not have any financing facilities available.		
<i>(d) Non-cash financing and investing activities</i>		
During the year 3,538,094 (2006: 3,863,156) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the year amounted to \$3,795,497 (2006: \$3,598,821).		

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**NOTE 15: SEGMENT INFORMATION**

Premium Investors Limited is an investment company with operations based solely in Australia, which invest in Australian and International markets.

**NOTE 16: 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.

Subsequent to the year end the Company has signed an amended Management Agreement with the Manager. Details of the new agreement are disclosed in note 20.

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000

**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	46,034	22,160
Earnings used in calculating basic and diluted earnings per share	46,034	22,160

	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares used in calculating basic earnings per share:	206,447,012	198,347,887
Basic earnings per share	22.30	11.17

**Effect of dilutive securities:**

Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	206,447,012	198,347,887
Diluted earnings per share	22.30	11.17

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**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
Don Sharp	Chairman (non-executive)
Kenneth Stout	Director (non-executive)
Tom Collins	Director (non-executive)

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

*(i) Remuneration of Directors*

	<u>Primary</u>		Non-Monetary Benefits	<u>Post</u>	Bonuses	Total	Total performance related %
	Salary & Fees	Cash Bonus		<u>Employment</u>			
	\$	\$	\$	Superannuation	\$	\$	
<b>Specified Directors</b>							
<b>2007</b>							
John Elfverson	-	-	-	-	-	-	-
Don Sharp	60,000	-	-	-	-	60,000	-
Kenneth Stout	27,523	-	-	2,477	-	30,000	-
Tom Collins	27,523	-	-	2,477	-	30,000	-
<b>Total:</b>	<b>115,046</b>	-	-	<b>4,954</b>	-	<b>120,000</b>	-
<b>2006</b>							
John Elfverson	-	-	-	-	-	-	-
Don Sharp	55,983	-	-	-	-	55,983	-
Kenneth Stout	27,523	-	-	2,477	-	30,000	-
Tom Collins	18,772	-	-	1,896	-	20,668	-
Rodney Green	16,055	-	-	1,455	-	17,500	-
Joel Bloom	9,174	-	-	826	-	10,000	-
Robert Kipp	-	-	-	-	-	-	-
<b>Total:</b>	<b>127,507</b>	-	-	<b>6,644</b>	-	<b>134,151</b>	-

The Managing Director and Company Secretary did not receive any remuneration from the Company as they are employed and remunerated by Treasury Group Limited.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

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

**(c) Shareholdings of Directors**

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

	Balance 1 July 2006	Net Change Other	Balance 30 June 2007
<b>Directors</b>			
John Elfverson	-	10,000	10,000
Don Sharp	215,225	132,578	344,803
Kenneth Stout	5,300	2,375	7,675
Tom Collins	-	-	-
<b>Total</b>	<b>220,525</b>	<b>144,953</b>	<b>362,478</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 Directors and Key Management Personnel**

*Fund management & performance fees*

During the period, Premium Investors Limited paid fund management and performance fees of \$5,454,573 (2006: \$4,204,393) to Treasury Group Investment Services Ltd, a wholly-owned subsidiary of Treasury Group Limited, a company of which Don Sharp was a director until 16 May 2007. 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 \$439,120 (2006: \$384,772) to Treasury Group Investment Services Ltd, a wholly-owned subsidiary of Treasury Group Limited, a Company of which Don Sharp was a director until 16 May 2007. Dealings were on commercial terms and conditions and in accordance with the management agreement.

*Payable*

Amounts owing to Treasury Group Investment Services Ltd, a wholly-owned subsidiary of Treasury Group Limited, a company of which Don Sharp was a director until 16 May 2007 in respect of fund management fees and service fees at the end of the period totalled \$3,002,903 (2006: \$2,317,920).

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>NOTE 19: AUDITORS' REMUNERATION</b>		
Amounts received or due and receivable by Pitcher Partners for:		
Audit and review of the financial report	39,810	25,030
Tax compliance and related services	16,099	15,795
	55,909	40,825

**NOTE 20: SUBSEQUENT EVENTS**

Dividend

On 29 August 2007, the Directors of Premium Investors Limited declared a final dividend on ordinary shares in respect of the June 2007 year. The total amount of the dividend is \$9,553,564, which represents a fully franked dividend of 4.5 cents per share. The dividend has not been provided for in the 30 June 2007 financial statements and will be recognised in subsequent financial reports.

Managing Director

The Board has decided that the Company no longer requires the services of a full time Managing Director. The current Managing Director, John Elfverson, whose services are provided under contract from Treasury Group Investment Services Limited ('TIS'), steps down from that role, effective from 6 August 2007. John will continue to serve as a Director of Premium and also took on the role of Company Secretary following Leah Watson's resignation.

Revised Investment Management Agreement

On 6th August 2007 Premium Investors Limited and TIS executed an Amended Investment Management Agreement and a Management Services Agreement which replaces the existing Investing Management Agreement between Premium and TIS.

The revised Investment Management Agreement maintains the absolute return focus of the investment portfolio, with a revised investment benchmark of 7% after fees and income taxes. This replaced the existing cash plus 2% benchmark used in the original agreement.

All fee arrangements have also been re-negotiated. Base management fees for investment management have been reduced from 1% per annum, based on monthly assets to 0.9% per annum based on monthly assets.

Performance fees remain at 10% of outperformance of the new benchmark for TIS and 10% for each of its underlying investment managers. Performance fees payable by Premium are currently capped at an amount equal to the base management fees. Under the revised arrangements, performance fees will be capped at 11/9ths of the base management fees to reflect the reduction in base management fees.

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**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 2007</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	54,992	-	-	54,992	5.03%
Short term deposits	-	-	301	301	6.03%
Listed securities	-	221,368	-	221,368	N/A
Dividends receivable	-	1,017	-	1,017	N/A
Other receivables	-	19,040	-	19,040	N/A
<b>TOTAL</b>	<b>54,992</b>	<b>241,425</b>	<b>301</b>	<b>296,718</b>	
<b>Financial liabilities</b>					
Other creditors and accruals	-	5,072	-	5,072	N/A
Income tax payable	-	10,618	-	10,618	N/A
<b>TOTAL</b>	<b>-</b>	<b>15,690</b>	<b>-</b>	<b>15,690</b>	

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

<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

**PREMIUM INVESTORS LIMITED**  
**ABN 47 106 259 885**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**NOTE 21: FINANCIAL INSTRUMENTS (Cont.)**

*(b) Fair values*

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

The following methods and assumptions are used to determine the 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 Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

**PREMIUM INVESTORS LIMITED**  
**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 Company are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its 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 2007.

This declaration is made in accordance with a resolution 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  
Director

Sydney, 29 August 2007

**PREMIUM INVESTORS LTD**  
**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF**  
**PREMIUM INVESTORS LTD**

We have audited the accompanying financial report of Premium Investors Ltd. The financial report comprises the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors' of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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

*Auditor's Opinion*

In our opinion,

- (a) the financial report of Premium Investors Ltd is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



B J BRITTEN

Dated on 29 August 2007



Pitcher Partners

Melbourne

## 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 2007).

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	241	113,687	-	-
1,001	– 5,000	1,226	4,189,650	-	-
5,001	– 10,000	1,456	11,774,255	-	-
10,001	– 100,000	4,215	113,667,997	-	-
100,001	and over	147	82,555,839	-	-
		7,285	212,301,428		
The number of shareholders holding less than a marketable parcel of shares are:		101	8,601	-	-

### (b) Twenty largest shareholders (as at 6th August 2007)

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 LIMITED	20,585,119	9.70
2	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	14,588,902	6.87
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	7,613,019	3.59
4	CITICORP NOMINEES PTY LIMITED	4,522,342	2.13
5	COGENT NOMINEES PTY LIMITED	3,426,965	1.61
6	AUST EXECUTOR TRUSTEES LTD	2,228,391	1.05
7	AUSTRALIAN REWARD INVESTMENT ALLIANCE C/O J P MORGAN NOMINEES AUSTRALIA	1,727,937	0.81
8	WARMAN INVESTMENTS PTY LTD	1,345,916	0.63
9	NATIONAL NOMINEES LIMITED	1,269,183	0.60
10	GROOTE EYLANDT ABORIGINAL TRUST INC	1,147,479	0.54
11	AVANTEOS INVESTMENTS LIMITED	794,700	0.38
12	MR PETER JACKSON	622,525	0.29
13	AKAT INVESTMENTS PTY LTD	616,878	0.29
14	NEVILLE WARD SUPER PTY LIMITED	550,052	0.26
15	LIFT CAPITAL NOMINEES NO 1 PTY LIMITED	532,823	0.25
16	THE UNITING CHURCH IN AUSTRALIA	427,552	0.20
17	ANZ NOMINEES LIMITED	421,329	0.20
18	SECURITIES & ESTATES PTY LTD	420,000	0.20
19	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	403,768	0.19
20	STELLARIA PTY LTD	340,000	0.16
		63,584,880	29.95

## ASX Additional Information (Continued)

### (c) 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>
Questor Financial Services Limited	19,720,847
452 Capital Pty Limited	18,854,027
Commonwealth Bank Group	19,212,080

### (e) Voting rights

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

## ASX Additional Information (Continued)

### (f) Holdings of Securities (as at 30 June 2007)

Investments held by the Company as at 30 June 2007 are as follows:

		Energy				
			Units	Market Value '000	Country	
ANTARES ENERGY CONVT	AZZG	120,304	237	0.11%	AUSTRALIAN	
ANZON AUSTRALIA LTD	AZA	623,287	630	0.28%	AUSTRALIAN	
ARC ENERGY LIMITED	ARQ	334,723	515	0.23%	AUSTRALIAN	
AUST WORLDWIDE EXPL	AWE	149,928	546	0.25%	AUSTRALIAN	
BW GAS ASA NOK	B0M1DJ0	50,000	771	0.35%	NORWAY	
CARNARVON PETROLEUM	CVN	1,365,380	321	0.14%	AUSTRALIAN	
CNOOC LTD HKD	B00G0S5	415,000	1,936	0.87%	CHINA	
CONOCOPHILLIPS USD	2685717	10,000	925	0.42%	UNITED STATES	
ENBRIDGE INC CAD	2466149	7,057	281	0.13%	CANADA	
ENERGY RESOURCE AUST	ERA	19,972	383	0.17%	AUSTRALIAN	
ENI SPA EUR	7145056	20,000	856	0.39%	ITALY EQUITIES	
KAR LTD PLACEMENT	KARX	9,000	21	0.01%	AUSTRALIAN	
KAROON GAS AUST LTD	KAR	182,000	433	0.20%	AUSTRALIAN	
MARION ENERGY LTD	MAE	364,150	528	0.24%	AUSTRALIAN	
OIL SEARCH	OSH	76,950	323	0.15%	AUSTRALIAN	
OSSTEM IMPLANT KRW	B1L0LB3	4,464	248	0.11%	KOREA	
PEMBINA PIPE TST CAD	2118503	28,682	505	0.23%	CANADA	
RESOURCE PACIFIC	RSP	432,227	882	0.40%	AUSTRALIAN	
SES FDR EUR	B00ZQQ2	50,300	1,280	0.58%	LUXEMBOURG	
SPECTRA ENERGY USD	B1L60G9	36,200	1,107	0.50%	UNITED STATES	
STATOIL ASA NOK	7133608	25,000	915	0.41%	NORWAY	
STRAITS RESOURCES	SRL	268,872	1,231	0.56%	AUSTRALIAN	
TOTAL SA EUR	B15C557	10,000	959	0.43%	FRANCE	
TRANSCANADA CORP CAD	2665184	20,000	1,359	0.61%	CANADA	
WOODSIDE PETROLEUM	WPL	7,079	324	0.15%	AUSTRALIAN	
WORLEYPARSONS LTD	WOR	14,729	499	0.23%	AUSTRALIAN	
			18,015	8.14%		

		Materials				
		Units	Market Value '000	%	Country	
ADITYA MIN LTD DEFER	ABY	186,576	530	0.24%	AUSTRALIAN	
ALBIDON LTD CDI	ALB	149,000	499	0.23%	AUSTRALIAN	
ALUMINA LIMITED	AWC	79,000	910	0.41%	AUSTRALIAN	
AMC 750 AUG07 CALL	AMCT8	- 30	-8	0.00%	AUSTRALIAN	
AMC 775 JUL07 CALL	AMCXU	- 120	- 8	0.00%	AUSTRALIAN	
AMCOR LIMITED	AMC	248,612	1,847	0.83%	AUSTRALIAN	

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**(f) Holdings of Securities (as at 30 June 2007) (Cont'd)**

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**Materials (Cont'd)**

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		Units	Market Value '000	%	Country
ANVIL MINING LIMITED	AVM	2,330	43	0.02%	AUSTRALIAN
AWC 725 AUG07 CALL	AWC41	-79	-54	-0.02%	AUSTRALIAN
BASF AG EUR	5086577	7,000	1,082	0.49%	GERMANY
BAYER AG EUR	5069211	10,000	891	0.40%	GERMANY
BHP BILLITON LTD	BHP	18,131	635	0.29%	AUSTRALIAN
CEMEX SA ADR USD	2488671	9,299	404	0.18%	MEXICO
COMPASS RESOURCES NL	CMR	86,671	362	0.16%	AUSTRALIAN
DOMINION MINING	DOM	293,255	674	0.30%	AUSTRALIAN
DOW CHEMICAL	2278719	15,000	781	0.35%	UNITED STATES
DSM NV EUR	BOHZL93	10,000	582	0.26%	NETHERLANDS
EQUIGOLD	EQI	300,897	533	0.24%	AUSTRALIAN
FORTESCUE METALS GR	FMG	7,873	266	0.12%	AUSTRALIAN
FUCHS PETRE PFD EUR	4354350	10,000	1,084	0.49%	GERMANY
GUNNS LIMITED	GNS	86,381	282	0.15%	AUSTRALIAN
HERALD RESOURCES LTD	HER	226,600	301	0.14%	AUSTRALIAN
INDEPENDANCE GROUP	IGO	43,673	297	0.13%	AUSTRALIAN
JABIRU METALS LTD	JML	270,600	387	0.17%	AUSTRALIAN
JAMES HARDIE IND NV	JHX	90,998	794	0.36%	AUSTRALIAN
JINDALEE RESOURCES	JRL	193,322	387	0.17%	AUSTRALIAN
JUBILEE MINES NL	JBM	15,268	243	0.11%	AUSTRALIAN
KAGARA ZINC LTD	KZL	38,756	246	0.11%	AUSTRALIAN
LION SELECTION GROUP	LST	227,942	392	0.18%	AUSTRALIAN
METALLICA MINERALS	MLM	653,100	558	0.25%	AUSTRALIAN
MOUNT GIBSON IRON	MGX	299,493	395	0.18%	AUSTRALIAN
NEWCREST MINING LTD	NCM	22,510	512	0.23%	AUSTRALIAN
OXIANA LIMITED	OXR	105,561	372	0.17%	AUSTRALIAN
PAN AUSTRALIAN RES	PNA	950,000	589	0.27%	AUSTRALIAN
PERILYA LTD	PEM	238,200	1,024	0.46%	AUSTRALIAN
PORTMAN MINING LTD	PMM	53,255	517	0.23%	AUSTRALIAN
RINKER GROUP LTD	RIN	30,213	568	0.26%	AUSTRALIAN
RIO TINTO LTD	RIO	6,619	654	0.30%	AUSTRALIAN
RIO TINTO PLC GBP	718875	9,000	814	0.37%	UNITED KINGDOM
SALLY MALAY MINING	SMY	330,055	1,360	0.61%	AUSTRALIAN
SIMS GROUP LIMITED	SGM	8,814	232	0.10%	AUSTRALIAN
SINO GOLD MINING LTD	SGX	38,167	215	0.10%	AUSTRALIAN
SINOFERT HOLDINGS LT	BOCJMD1	1,708,000	1,424	0.64%	HONG KONG
TAIWAN FERT CO TWD	6109439	493,000	1,220	0.55%	TAIWAN
TERRITORY RES LTD	TTY	1,065,019	1,582	0.71%	AUSTRALIAN
TIMBERCORP LIMITED	TIM	131,485	275	0.12%	AUSTRALIAN
WESTERN PLNS RES LTD	WPG	396,100	515	0.23%	AUSTRALIAN
			27,208	12.31%	

(f) Holdings of Securities (as at 30 June 2007) (Cont'd)

Industrials						
		Units	Market Value '000	%	Country	
ABERTIS INFRA EUR	4065663	13,900	509	0.23%	SPAIN	
ANHUI EXPRESSWAY HKD	6045180	456,000	454	0.20%	CHINA	
ASCIANO GRP STAPLED	AIO	37,936	384	0.17%	AUSTRALIAN	
AUSTAL LTD	ASB	260,108	968	0.44%	AUSTRALIAN	
AUSTRALIAN INFRASTR	AIX	110,000	355	0.16%	AUSTRALIAN	
BEIJING INTL AP HKD	6208422	360,000	597	0.27%	CHINA	
BOART LONGYEAR LTD	BLY	399,643	887	0.40%	AUSTRALIAN	
BOOM LOGISTICS LTD	BOL	326,856	1,337	0.60%	AUSTRALIAN	
BRADKEN LTD	BKN	135,521	1,432	0.65%	AUSTRALIAN	
BRAMBLES LTD DEFER	BXB	66,360	806	0.36%	AUSTRALIAN	
BRISA AUTO-ESTR EUR	5803925	17,300	274	0.12%	PORTUGAL	
CABCHARGE AUST LTD	CAB	97,827	1,203	0.54%	AUSTRALIAN	
CADNAT RLWY ORD CAD	2180632	17,900	1,075	0.49%	CANADA	
CANDLE AUSTRALIA	CND	77,313	255	0.12%	AUSTRALIAN	
CATHAY PACIFIC HKD	6179755	230,000	675	0.30%	HONG KONG	
CINTRA EUR	B038516	66,000	1,237	0.56%	SPAIN	
COMPANHIA DE CON BRL	2840970	47,200	1,026	0.46%	BRAZIL	
COOTE INDUSTRIAL LTD	CXG	283,254	609	0.28%	AUSTRALIAN	
CREDIT CORP GROUP	CCP	28,137	340	0.15%	AUSTRALIAN	
CSR LIMITED	CSR	238,961	829	0.37%	AUSTRALIAN	
DEUTSCHE POST AG EUR	4617859	30,000	1,147	0.52%	GERMANY	
DEXION LTD	DEX	145,805	386	0.17%	AUSTRALIAN	
FLUGHAFEN WIEN EUR	4359690	10,000	1,164	0.53%	AUSTRIA	
FRAPORT AG NPV EUR	7107551	10,000	841	0.38%	GERMANY	
GRD LIMITED	GRD9	125,000	353	0.16%	AUSTRALIAN	
HASTIE GROUP LTD	HST	63,597	216	0.10%	AUSTRALIAN	
HOPEWELL HIGHWAY HKD	6665016	231,000	255	0.12%	HONG KONG	
HUTCHINSON WHAMP HKD	6448068	75,000	878	0.40%	HONG KONG	
JIANGSU EXPRESS HKD	6005504	524,000	620	0.28%	CHINA	
JVM CO LTD KRW	B16D560	9,100	639	0.29%	KOREA	
KFM DIV INFRA LOG	KIL	489,297	565	0.26%	AUSTRALIAN	
LABROY MARINE SGD	6234999	518,000	1,050	0.47%	SINGAPORE	
LEIGHTON HOLDING	LEI	7,950	328	0.15%	AUSTRALIAN	
LYCOPODIUM LIMITED	LYL	73,084	269	0.12%	AUSTRALIAN	
MERMAID MARINE AUST	MRM	523,048	975	0.44%	AUSTRALIAN	
MMC CORP BHD MYR	6556648	353,000	910	0.41%	MALAYSIA	
NEWS CORP B VOTING	NWS	27,023	734	0.33%	AUSTRALIAN	
NOMAD BUILD SOL LTD	NOD	128,257	331	0.15%	AUSTRALIAN	
NORFOLK STHRN USD	2641894	17,400	1,077	0.49%	UNITED STATES	
NWS HOLDINGS LTD HKD	6568353	313,000	921	0.42%	HONG KONG	
OBRASCON HUARTE BRL	B0DK255	22,400	494	0.22%	BRAZIL	
OESTERREICHISCHE EUR	B1577G7	15,000	785	0.35%	AUSTRIA	
PROG MAINT SERVICE	PRG	88,253	522	0.24%	AUSTRALIAN	
QANTAS AIRWAYS LTD	QAN	175,856	976	0.44%	AUSTRALIAN	
SAI GLOBAL LIMITED	SAI	270,906	994	0.45%	AUSTRALIAN	
SEDGEMAN LTD	SDM	217,643	699	0.32%	AUSTRALIAN	
SERVICE STREAM LTD	SSM	205,890	381	0.17%	AUSTRALIAN	

**(f) Holdings of Securities (as at 30 June 2007) (Cont'd)**

<b>Industrials (Cont'd)</b>						
		<b>Units</b>	<b>Market Value '000</b>	<b>%</b>	<b>Country</b>	
SHENZEN EXPRESSWAY HKD	6848743	828,000	757	0.34%	CHINA	
SHENZEN INTL HLD HKD	6436483	4,210,000	546	0.25%	HONG KONG	
SICHUAN EXPRESSWAY HKD	6055877	1,008,000	360	0.16%	CHINA	
SINGAPORE A/LINE SGD	6811734	60,000	869	0.39%	SINGAPORE	
SM INVEST CORP PHP	B068DB9/	2,263	24	0.01%	PHILIPPINES	
SM INVESTMENT PHP	B068DB9	53,000	571	0.26%	PHILIPPINES	
SOCIETE DES AUTO EUR	B03XKD8	2,300	275	0.12%	FRANCE	
TCL 800 SEP07 CALL	TCLXT	-34	-10	0.00%	AUSTRALIAN	
TCL 825 SEP07 CALL	TCLXY	-55	-10	0.00%	AUSTRALIAN	
TOLL HOLDINGS LTD	TOL	37,936	547	0.25%	AUSTRALIAN	
TPI LIMITED	TPI	23,762	314	0.14%	AUSTRALIAN	
TRANSFIELD SERVICES	TSE	24,765	275	0.12%	AUSTRALIAN	
TRANSURBAN GROUP	TCL	275,454	2,206	1.00%	AUSTRALIAN	
UNITED GROUP LTD	UGL	13,875	230	0.10%	AUSTRALIAN	
UNITED TRACTORS IDR	6230845	579,000	616	0.28%	INDONESIA	
VINCI SA EUR	B1XH026	12,000	1,059	0.48%	FRANCE	
ZHEJIANG EXPRESS HKD	6990763	552,000	699	0.32%	CHINA	
			43,090	19.47%		
<b>Consumer Discretionary</b>						
		<b>Units</b>	<b>Market Value '000</b>	<b>%</b>	<b>Country</b>	
ARB CORP LIMITED	ARP	81,378	350	0.16%	AUSTRALIAN	
AUTO HOLD GRP LTD	AHE	308,985	1,344	0.61%	AUSTRALIAN	
BILLABONG INTERNAT	BBG	51,035	916	0.41%	AUSTRALIAN	
BLUEFREEWAY LTD	BLU	194,908	464	0.21%	AUSTRALIAN	
CLIVE PEETERS LTD	CPR	69,456	139	0.06%	AUSTRALIAN	
DAIMLER-CHRYSLER EUR	5529027	8,000	874	0.39%	GERMANY	
DOMINO'S PIZZA LTD	DMP	145,297	500	0.23%	AUSTRALIAN	
FAIRFAX MEDIA LTD	FXJ	110,000	516	0.23%	AUSTRALIAN	
FLEETWOOD CORP	FWD	83,634	728	0.33%	AUSTRALIAN	
INTRALOT SA INT EUR	5799284	15,000	569	0.26%	GREECE	
INVOCARE LIMITED	IVC	111,972	677	0.31%	AUSTRALIAN	
LIFESTYLE INTER HKD	B00LN47	213,000	975	0.44%	HONG KONG	
LION DIVERS HLDS MYR	6192859	378,700	1,067	0.48%	MALAYSIA	
MCPHERSONS LTD	MCP	148,842	506	0.23%	AUSTRALIAN	
PHOTON GROUP LIMITED	PGA	65,153	401	0.18%	AUSTRALIAN	
PLAN B GROUP LTD PL	PLBXXX	46,600	47	0.02%	AUSTRALIAN	
PUBLISHING + BROAD	PBL	55,000	1,074	0.49%	AUSTRALIAN	
RETAIL FOOD GROUP	RFG	182,369	266	0.12%	AUSTRALIAN	
SKY CITY LTD	SKC	130,000	585	0.26%	AUSTRALIAN	
TABCORP HOLDINGS LTD	TAH	100,000	1,715	0.77%	AUSTRALIAN	
TAH 1750 AUG07 CALL	TAHZP	-100	-37	-0.02%	AUSTRALIAN	
THE REJECT SHOP	TRS	110,794	1,393	0.63%	AUSTRALIAN	
TV BROADCAST ORD HKD	6881674	70,000	580	0.26%	HONG KONG	
VIVENDI SA EUR	4834777	20,000	1,016	0.46%	FRANCE	

**(f) Holdings of Securities (as at 30 June 2007) (Cont'd)**

<b>Consumer Discretionary (cont'd)</b>					
		<b>Units</b>	<b>Market Value '000</b>	<b>%</b>	<b>Country</b>
WOLTERS KLUWERS EUR	5671519	18,000	649	0.29%	NETHERLANDS
WOONGJIN COWAY KRW	6173401	14,800	585	0.26%	KOREA
WOTIF.COM HLDS LTD	WTF	77,214	422	0.19%	AUSTRALIAN
YELLOW PGS INC CAD	2942843	75,000	1,153	0.52%	CANADA
			19,474	8.80%	
<b>Consumer Staples</b>					
		<b>Units</b>	<b>Market Value '000</b>	<b>%</b>	<b>Country</b>
CHINA MILK PROD SGD	B0W3DL8	1,094,000	1,163	0.53%	CHINA
FOSTER'S GROUP LTD	FGL	230,000	1,467	0.66%	AUSTRALIAN
LION NATHAN LIMITED	LNN	93,760	859	0.39%	AUSTRALIAN
METCASH LIMITED	MTS	173,198	778	0.35%	AUSTRALIAN
NESTLE SA CHF	7123870	2,000	896	0.40%	SWITZERLAND
RIDLEY CORPORATION	RIC	620,134	719	0.32%	AUSTRALIAN
SABMILLER PLC GBP	483548	20,000	598	0.27%	UNITED KINGDOM
TASSAL GROUP LIMITED	TGR	457,706	1,515	0.68%	AUSTRALIAN
UNILEVER NV CVA EUR	B12T3J1	20,000	734	0.33%	NETHERLANDS
UNI-PRES ENTER TWD	6700393	567,000	669	0.30%	TAIWAN
UNIVERSAL ROBINA PHP	6919519	1,502,000	708	0.32%	PHILIPPINES
			10,106	4.57%	
<b>Health Care</b>					
		<b>Units</b>	<b>Market Value '000</b>	<b>%</b>	<b>Country</b>
ASTRAZENECA PLC GBP	989529	15,000	951	0.43%	UNITED KINGDOM
CSL LIMITED	CSL	3,332	292	0.13%	AUSTRALIAN
GLAXOSMITHKLINE GBP	925288	30,000	925	0.42%	UNITED KINGDOM
MESOBLAST LIMITED	MSB	97,986	194	0.09%	AUSTRALIAN
NANOSONICS LTD	NAN	535,157	340	0.15%	AUSTRALIAN
NOVARTIS AG REG CHF	7103065	15,000	994	0.45%	SWITZERLAND
PFIZER INC USD	2684703	30,000	903	0.41%	UNITED STATES
PGL OPTION 25/05/10	PGLO	2,174	3	0.00%	AUSTRALIAN
PROGEN PHARMACEUTICL	PGL	43,479	200	0.09%	AUSTRALIAN
SANOFI AVENTIS EUR	5671735	10,000	957	0.43%	FRANCE
			5,759	2.60%	

**(f) Holdings of Securities (as at 30 June 2007) (Cont'd)**

		<b>Financials</b>			
		<b>Units</b>	<b>Market Value '000</b>	<b>%</b>	<b>Country</b>
ABACUS PROPERTY GRP	ABP	247,808	473	0.21%	AUSTRALIAN
ALE PROPERTY GROUP	LEP	132,338	574	0.26%	AUSTRALIAN
ANZ BANK	ANZ	73,937	2,143	0.97%	AUSTRALIAN
ASCOTT RES TRUST SGD	B10SSL7	1,078,000	1,678	0.76%	SINGAPORE
AUS EDUCATION TRUST	AEU	290,031	508	0.23%	AUSTRALIAN
AXA ASIA PACIFIC	AXA	110,534	821	0.37%	AUSTRALIAN
AXA US ADR USD	2059420	10,165	515	0.23%	UNITED STATES
BABCOCK BROWN LTD	BNB	8,993	288	0.13%	AUSTRALIAN
BEIJING CAP LAND HKD	6623360	217,000	147	0.07%	CHINA
BENDIGO BANK LIMITED	BEN	20,000	302	0.14%	AUSTRALIAN
BUMIPUTRA COMM MYR	6075745	274,000	1,094	0.49%	MALAYSIA
CATHAY FIN HLDG TWD	6425663	415,925	1,165	0.53%	TAIWAN
CBA 5500 AUG07 CALL	CBAUJ	-3	-5	0.00%	AUSTRALIAN
CHALL DIV PROP GRP	CDI	279,705	289	0.13%	AUSTRALIAN
CHALLENGER WINE TRST	CWT	453,043	378	0.17%	AUSTRALIAN
CHINA MERCH BANK HKD	B1DYPZ5	206,000	736	0.33%	CHINA
CHINESE ESTATES HKD	6191180	748,000	1,383	0.62%	HONG KONG
COMMONWEALTH BANK	CBA	81,042	4,451	2.10%	AUSTRALIAN
COUNT FINANCIAL LTD	COU	93,735	296	0.13%	AUSTRALIAN
CREDIT AGRICOLE EUR	7262610	20,000	961	0.43%	FRANCE
CREDITO ITALIANO EUR	4232445	80,000	842	0.38%	ITALY
CROMWELL GROUP	CMW	1,409,186	1,670	0.75%	AUSTRALIAN
DAH SING FINANCE HKD	6249799	69,200	679	0.31%	HONG KONG
DBS GRP HOLDINGS SGD	6175203	50,000	875	0.40%	SINGAPORE
DEUTSCHE POSTBANK EU	B018CX9	9,000	932	0.42%	GERMANY
FKP PROPERTY GROUP	FKP	40,532	296	0.13%	AUSTRALIAN
HBOS PLC GBP	3058750	21,724	506	0.23%	UNITED KINGDOM
HENDERSON LAND HKD	6420538	136,000	1,092	0.49%	HONG KONG
IGB CORP BERHAD MYR	6455273	816,000	735	0.33%	MALAYSIA
IND BANK OF KOR KRW	6462972	37,300	897	0.41%	KOREA
ING GROEP NV EUR	7154182	10,000	521	0.24%	NETHERLANDS
INSURANCE AUSTRALIA	IAG	373,246	2,124	0.96%	AUSTRALIAN
KOOKMIN BANK KRW	6419365	7,900	817	0.37%	KOREA
KOREA INVESTMENT KRW	6654586	22,500	1,806	0.82%	KOREA
LEND LEASE CORP LTD	LLC	14,000	259	0.12%	AUSTRALIAN
LLC 1950 JUL07 CALL	LLCX5	-14	-1	0.00%	AUSTRALIAN
MACQUARIE BANK LTD	MBL	3,272	277	0.13%	AUSTRALIAN
MACQUARIE C/WIDE TST	MCW	278,630	560	0.25%	AUSTRALIAN
MEGAWORLD CORP PHP	6563648	10,257,800	1,033	0.47%	PHILIPPINES
MIRVAC GROUP	MGR	65,787	370	0.17%	AUSTRALIAN
MIRVAC INDUSTRL TRST	MIX	426,000	441	0.20%	AUSTRALIAN
MORTGAGE CHOICE LTD	MOC	193,000	621	0.28%	AUSTRALIAN
NATIONAL AUST BANK	NAB	50,000	2,050	0.93%	AUSTRALIAN
OAK HOTELS N RESORTS	OAK	104,265	227	0.10%	AUSTRALIAN
OSEA CHINESE BNK SGD	B0F9V20	159,000	1,121	0.51%	SINGAPORE
PRESIDENT SECS TWD	6154622	667,000	466	0.21%	TAIWAN
QBE INSURANCE GROUP	QBE	16,844	523	0.24%	AUSTRALIAN

**(f) Holdings of Securities (as at 30 June 2007) (Cont'd)**

<b>Financials (cont'd)</b>					
		<b>Units</b>	<b>Market Value '000</b>	<b>%</b>	<b>Country</b>
RECKSON NY PROP TRST	RNY	448,000	520	0.23%	AUSTRALIAN
RUBICON JAPAN TS DEF	RJT	795,000	771	0.35%	AUSTRALIAN
SERVCORP LTD	SRV	44,131	207	0.09%	AUSTRALIAN
SHIN KONG FIN TWD	6452586	542,000	743	0.34%	TAIWAN
ST GEORGE BANK LTD	SGB	60,032	2,112	0.95%	AUSTRALIAN
SUNCORP-METWAY BANK	SUN	34,084	686	0.31%	AUSTRALIAN
THAKRAL HOLDINGS GRP	THG	650,000	718	0.32%	AUSTRALIAN
THE LINK REIT HKD	B0PB4M7	264,000	685	0.31%	HONG KONG
THINKSMART LTD	TSM	133,102	295	0.13%	AUSTRALIAN
TOWER AUST GROUP LTD	TAL	98,969	225	0.10%	AUSTRALIAN
TRINITY GROUP	TCQ	137,070	408	0.18%	AUSTRALIAN
TRYGVESTA AS DKK	B0LL2W7	10,000	925	0.42%	DENMARK
WBC 2700 JUL07 CALL	WBCIU	-10	-1	0.00%	AUSTRALIAN
WESTFIELD GROUP	WDC	24,059	479	0.22%	AUSTRALIAN
WESTFIELD GRP PLACE	WDCXXX	2,092	41	0.02%	AUSTRALIAN
WESTPAC BANK	WBC	120,742	3,097	1.48%	AUSTRALIAN
WESTPAC OFFICE TRUST	WOTCA	906,401	526	0.24%	AUSTRALIAN
WHK GROUP LTD	WHG	257,430	646	0.29%	AUSTRALIAN
			54,306	24.70%	
<b>Information Technology</b>					
		<b>Units</b>	<b>Market Value '000</b>	<b>%</b>	<b>Country</b>
ADV SEMICOND ENG TWD	6056074	707,000	1,133	0.51%	TAIWAN
CODAN LIMITED	CDA	455,293	421	0.19%	AUSTRALIAN
COMPUTERSHARE LTD	CPU	26,682	298	0.13%	AUSTRALIAN
HPAL LIMITED	HPX	301,997	788	0.36%	AUSTRALIAN
MOTECH INDST INC TWD	6609445	43,815	675	0.30%	TAIWAN
RP DATA LTD	RPX	149,778	341	0.15%	AUSTRALIAN
TAIWAN SEMICOND TWD	6889106	722,627	1,827	0.83%	TAIWAN
TAIWAN SEMICOND TWD	6889106/	1,440	4	0.00%	TAIWAN
			5,488	2.48%	
<b>Telecommunication</b>					
		<b>Units</b>	<b>Market Value '000</b>	<b>%</b>	<b>Country</b>
HELLENIC TELECOM EUR	5051605	20,000	729	0.33%	GREECE
KONINKLIJKE KPN EUR	5956078	34,000	666	0.30%	NETHERLANDS
REVERSE CORP LIMITED	REF	70,352	401	0.18%	AUSTRALIAN
SINGAPORE TELE SGD	B02PY22	260,000	677	0.35%	SINGAPORE
SK TELECOM ADR USD	2495648	30,000	964	0.44%	UNITED STATES
TELECOM NZ LTD	TEL	317,653	1,312	0.59%	AUSTRALIAN
TELEFONICA S.A. EUR	5732524	30,000	789	0.36%	SPAIN
TELEKOM AUSTRIA EUR	4635088	30,000	883	0.40%	AUSTRIA
TELEKOM MALAYSIA MYR	6868398	249,000	876	0.40%	MALAYSIA

**(f) Holdings of Securities (as at 30 June 2007) (Cont'd)**

<b>Telecommunication (cont'd)</b>					
		<b>Units</b>	<b>Market Value '000</b>	<b>%</b>	<b>Country</b>
TELENOR NOK	4732495	30,000	693	0.35%	NORWAY
TELIA SEK	5978384	80,000	691	0.31%	SWEDEN
TELSTRA CORPORATION	TLS	425,000	1,947	0.88%	AUSTRALIAN
TELSTRA INSTALLMENT	TLSA	335,000	1,042	0.47%	AUSTRALIAN
TLS 500 JUL07 CALL	TLS6I	-200	-2	0.00%	AUSTRALIAN
TLS INST RECEIPTS PL	TLSCAXXX	335,000	536	0.24%	AUSTRALIAN
VODAFONE GROUP GBP	B16GWD5	350,000	1,388	0.63%	UNITED KINGDOM
			13,593	6.22%	
<b>Utilities</b>					
		<b>Units</b>	<b>Market Value '000</b>	<b>%</b>	<b>Country</b>
APA GROUP	APA	172,593	718	0.32%	AUSTRALIAN
BAB AND BRO POWER	BBP	274,200	941	0.42%	AUSTRALIAN
BAB AND BRO WIND GP	BBW	716,600	1,397	0.63%	AUSTRALIAN
BAB N BROWN INF GRP	BBI	274,251	470	0.21%	AUSTRALIAN
BKW FMB ENERGIE AG	B09G2Y6	6,000	741	0.33%	SWITZERLAND
CESKE ENERG AS CZK	5624030	9,300	565	0.26%	CZECH
CHEUNG KG INFRAS HKD	6212553	166,000	722	0.33%	HONG KONG
CHINA PWR INTL HKD	B02ZKQ8	600,000	385	0.17%	HONG KONG
DUKE ENERGY CORP USD	B127425	33,900	731	0.40%	UNITED STATES
E ON AG EUR	4942904	5,000	1,776	0.83%	GERMANY
ENAGAS EUR	7383072	13,400	391	0.19%	SPAIN
FORTUM CORP FIM	5579550	10,900	402	0.17%	FINLAND
GDY OPTION 31/01/08	GDYO	59,574	43	0.02%	AUSTRALIAN
GEODYNAMICS LTD	GDY	119,148	227	0.10%	AUSTRALIAN
GUANGDONG HLD HKD	6913168	1,699,000	1,166	0.57%	HONG KONG
MINERAL DEPOSITS PL	MDLXXX	55,616	70	0.04%	AUSTRALIAN
MINERAL DEPOSITS PL	MDLYYY	39,184	49	0.03%	AUSTRALIAN
NATIONAL GRID GBP	B08SNH3	32,900	574	0.26%	UNITED
NAUTILUS MINERAL CAD	B14X0Q7	70,536	406	0.18%	CANADA
NORFOLK GRP LTD PL	NFKXXX	130,758	255	0.12%	AUSTRALIAN
OESTER ELEKTRIZI EUR	4661607	15,000	905	0.41%	AUSTRIA
PROGRESS EN. USD	2604206	9,000	483	0.22%	UNITED STATES
RED ELECT DE ESP EUR	5723777	17,600	974	0.46%	SPAIN
RWE EUR	4768962	7,600	954	0.43%	GERMANY
SNAM RETE GAS EUR	7251470	120,000	1,603	0.72%	ITALY
SP AUSNET DEFERRED	SPN	877,700	1,264	0.57%	AUSTRALIAN
SPARK INFRASTRUC GRP	SKI	782,957	2,789	1.26%	AUSTRALIAN
SUEZ EUR	7118047	4,400	297	0.13%	FRANCE
TERNA SPA EUR	B01BN57	200,000	814	0.39%	ITALY
TRANS SRV INFRA FUND	TSI	127,087	453	0.20%	AUSTRALIAN
WISCONSIN ENERGY USD	2973995	9,500	495	0.22%	UNITED STATES
			23,061	10.62%	

**(f) Holdings of Securities (as at 30 June 2007) (Cont'd)**

		<b>Futures</b>			
		<b>Units</b>	<b>Market Value '000</b>	<b>%</b>	<b>Country</b>
XJO 6350 SEP07 PUT	XJOYR	85	204	0.09%	AUSTRALIAN
			204	0.09%	
Subtotal Equities			220,304		
Foreign Exchange Forward Contract			1,062		
	<b>TOTAL</b>		<b>221,366</b>	<b>100.00%</b>	

**(g) Portfolio transactions**

The total number of transactions in securities during the reporting period was 3,590. The total brokerage paid or accrued during the period amounted to \$1,146,524.79.

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

There is no current share buy-back scheme in place and the Company did not buy-back any shares during the financial year ended 30 June 2007.

**(i) Application of cash**

For the financial period from 1 July 2006 to 30 June 2007, 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.