

SHAKESPEARE HANEY  
PREMIUM INCOME FUND  
ARSN 106 223 483

INTERIM  
FINANCIAL  
REPORT

31 DECEMBER 2010



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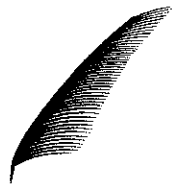
SHAKESPEARE HANEY SECURITIES LIMITED

AUSTRALIAN FINANCIAL SERVICES LICENCE NO 226348 • ACN 087 435 783

**SHAKESPEARE HANEY PREMIUM INCOME FUND**

ARSN 106 223 483

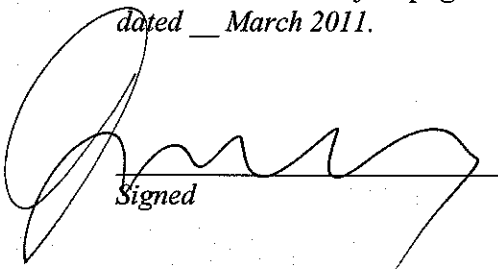
**INTERIM FINANCIAL REPORT  
31 DECEMBER 2010**



**S H A K E S P E A R E   H A N E Y  
S E C U R I T I E S   L I M I T E D**

SECURITIES DEALERS LICENCE NO. 188395  
ACN 087 435 783

*This is Annexure A of 14 pages referred to in Form 7051 "Half-Yearly Reports", signed by me and dated      March 2011.*

  
Signed

15/3/11  
Date

**SHAKESPEARE HANEY PREMIUM INCOME FUND  
ARSN 106 223 483**

**DIRECTORS' REPORT**

The directors of Shakespeare Haney Securities Limited, the responsible entity of Shakespeare Haney Premium Income Fund (the "Scheme"), present their report together with the financial report of the Scheme, for the half-year ended 31 December 2010 and the review report thereon.

**Responsible entity**

The registered office and principal place of business of the Responsible Entity and the Scheme is Level 11, 50 Cavill Avenue, Surfers Paradise, Queensland.

Shakespeare Haney Securities Limited (ABN 23 087 435 783) has been the Responsible Entity since 15 September 1999.

The directors of Shakespeare Haney Securities Limited during or since the end of the financial half-year are:

<b>Name</b>	<b>Period of directorship</b>
Mr Thomas John Haney	Appointed 12 May 1999
Mrs Jan Yvonne Haney	Appointed 12 May 1999
Mr David John Williams	Appointed 12 May 1999

**Principal activities**

The Scheme is a registered managed investment scheme domiciled in Australia.

The investment activities of the Scheme continued to be in accordance with the investment policy of the Scheme.

**Review and results of operations**

The net income from operations before distributions paid to investors of the Scheme for the half-year ended 31 December 2010 was \$3,037,159 (2009: \$2,050,965) after net impairment losses of \$3,286,230 (2009: \$4,310,397).

***Distribution return***

Scheme distributions paid or payable for the half-year ended 31 December 2010 were \$6,372,506 (2009: \$7,991,371).

***Redemption offer***

During the period, the Responsible Entity on behalf of the Scheme made a redemption offer of \$10 million to investors at a unit price of \$0.7639. The offer was oversubscribed with all redemption payments under the offer made on a pro rata basis.

**Subsequent events**

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

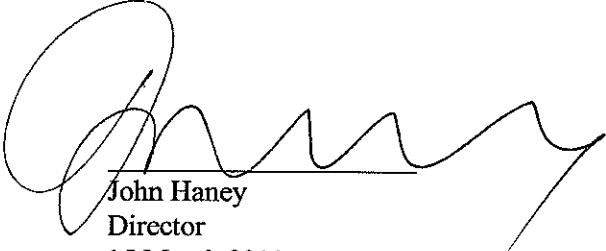
**SHAKESPEARE HANEY PREMIUM INCOME FUND  
ARSN 106 223 483**

**DIRECTORS' REPORT**

**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001.**

The lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the half year ended 31 December 2010.

Signed in accordance with a resolution of the directors of Shakespeare Haney Securities Limited.

A handwritten signature in black ink, appearing to read 'John Haney', is written over a horizontal line. The signature is fluid and cursive.

John Haney  
Director  
15 March 2011



**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001**

To: the directors of Shakespeare Haney Securities Limited, the Responsible Entity for Shakespeare Haney Premium Income Fund

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Stephen Board  
*Partner*

Gold Coast  
15 March 2011

SHAKESPEARE HANEY PREMIUM INCOME FUND  
ARSN 106 223 483

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Note	31 December 2010 \$	31 December 2009 \$
<b>Revenue</b>			
Interest income – mortgage loans		6,763,276	10,636,837
Interest income – bank		407,846	49,471
Distribution income – unlisted schemes		231,533	142,680
<b>Total investment income</b>		<u>7,402,655</u>	<u>10,828,988</u>
<b>Expenses</b>			
Interest expense		-	1,169,567
Management fees and recoupment of expenses		1,030,149	3,217,619
Net impairment losses		3,286,230	4,310,397
GST on management fees not subject to input tax credit		49,117	80,440
<b>Total expenses before finance cost</b>		<u>4,365,496</u>	<u>8,778,023</u>
<b>Profit from operating activities</b>		<u>3,037,159</u>	<u>2,050,965</u>
<b>Finance costs</b>			
Distribution expense to investors	3	6,372,506	7,991,371
<b>Total finance costs</b>		<u>6,372,506</u>	<u>7,991,371</u>
<b>Change in net assets attributable to unit holders/ total comprehensive income</b>		<u>(3,335,347)</u>	<u>(5,940,406)</u>

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

The Scheme's net assets attributable to investors are classified as a liability under AASB 132 *Financial Instrument: Presentation*. As the Scheme has no equity, the Scheme has not included any items of changes in equity for the current or comparative period.

*The accompanying notes are an integral part of these financial statements.*

**SHAKESPEARE HANEY PREMIUM INCOME FUND**  
**ARSN 106 223 483**

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2010**

	<b>Note</b>	<b>31 December 2010 \$</b>	<b>30 June 2010 \$</b>
<b>Assets</b>			
Cash and cash equivalents		18,185,521	14,414,928
Financial assets – available for sale:			
Investments – units in unlisted schemes		4,597,756	4,597,756
Loans and receivables:			
Interest receivable		6,156,527	8,222,339
Mortgage loans	5	101,338,098	118,103,461
Other assets		974,274	75,323
<b>Total assets</b>		<u>131,252,176</u>	<u>145,413,807</u>
<b>Liabilities</b>			
Financial liabilities measured at amortised cost:			
Accounts payable		88,335	3,799
Interest received in advance		15,386	86,092
Member distributions payable		510,451	562,360
<b>Total liabilities (excluding net assets attributable to investors)</b>		<u>614,172</u>	<u>652,251</u>
<b>Net assets attributable to investors – liability</b>	4	<u>130,638,004</u>	<u>144,761,556</u>

*The notes on accompanying pages are an integral part of these financial statements*

**SHAKESPEARE HANEY PREMIUM INCOME FUND  
ARSN 106 223 483**

**CONDENSED INTERIM STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

	<b>31 December 2010 \$</b>	<b>31 December 2009 \$</b>
<b>Cash flows from operating activities</b>		
Interest and distributions received	1,228,376	5,802,752
Management fees and other expenses paid	(1,893,681)	(3,338,700)
Interest paid	-	(1,169,567)
Distributions paid	<u>(6,424,415)</u>	<u>(7,887,758)</u>
<b>Net cash flows from/(used in) operating activities</b>	<u>(7,089,720)</u>	<u>(6,593,273)</u>
<b>Cash flows from investing activities</b>		
Mortgage loans advanced	(7,501,644)	(7,782,438)
Mortgage loans repaid	29,150,162	70,265,035
Redemption of investments	<u>-</u>	<u>312,418</u>
<b>Net cash flows from investing activities</b>	<u>21,648,518</u>	<u>62,795,015</u>
<b>Cash flows from financing activities</b>		
Payments on redemption of investors' funds	(10,788,205)	(345,630)
Repayment of borrowings	<u>-</u>	<u>(55,007,308)</u>
<b>Net cash flows from/(used in) financing activities</b>	<u>(10,788,205)</u>	<u>(55,352,938)</u>
Net increase/(decrease) in cash and cash equivalents	3,770,593	848,804
<b>Cash and cash equivalents at 1 July</b>	<u>14,414,928</u>	<u>5,238,399</u>
<b>Cash and cash equivalents at 31 December</b>	<u>18,185,521</u>	<u>6,087,203</u>

*The notes on accompanying pages are an integral part of these financial statements*

**SHAKESPEARE HANEY PREMIUM INCOME FUND  
ARSN 106 223 483**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

**1. REPORTING ENTITY**

Shakespeare Haney Premium Income Fund (the "Scheme") is a registered managed investment scheme under the Corporations Act 2001. The interim financial report of the Scheme is for the six months ended 31 December 2010.

**(a) Statement of compliance**

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Scheme as at and for the year ended 30 June 2010.

The interim financial report of the Scheme for the period ended 31 December 2010 is available upon request from the Scheme's registered office at Level 11, 50 Cavill Avenue, Surfers Paradise, Queensland or at [www.shsl.com.au](http://www.shsl.com.au).

The interim financial report was authorised for issue by the directors on 15 March 2011.

**(b) Significant accounting policies**

Except as described below, the accounting policies applied by the Scheme in this interim financial report are the same as those applied by the Scheme for the year ended 30 June 2010.

**Change in accounting policies**

***Presentation of transactions recognised in other comprehensive income***

From 1 July 2010 the Scheme has applied amendments to AASB 101 *Presentation of Financial Statements* outlined in AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project*. The change in accounting policy only relates to disclosures and had no impact on net income. The changes have been applied retrospectively.

**(c) Estimates and judgements**

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Except as outlined below, in preparing this interim financial report, the significant judgements made by management in applying the Scheme's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2010.

During the six months ended 31 December 2010, management reassessed its estimates in respect of:

- Note 5 - Impairment of mortgage loans.

**SHAKESPEARE HANEY PREMIUM INCOME FUND  
ARSN 106 223 483**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

**2. GOING CONCERN**

The financial statements have been prepared on the going concern basis which contemplates the continuation of normal business operations and the realisation of assets and the settlement of liabilities in the normal course of business. In making this assessment, management has considered future events and conditions following the approval of these financial statements.

During the period ended 31 December 2010 the following events occurred:

- The Scheme remained non-liquid and was not obliged to honour redemption requests except in certain circumstances;
- The Scheme made a redemption offer of \$10 million to investors at a unit price of \$0.7639. The offer was oversubscribed with all redemptions payments under the offer made on a pro rata basis with unit holders receiving 12.9% of amounts requested for redemption;
- Delays were experienced in the repayment of certain mortgage loans and additional impairment losses of \$4,001,637 were incurred together with impairment reversals of \$715,407; and
- An unlisted managed investment scheme in which the Scheme has an investment of \$4,597,756 remained suspended to the repayment of redemptions, however continues to pay distributions.

The directors of the Responsible Entity have prepared the financial statements on a going concern basis as, it is their intention to:

- Realise sufficient cash funds from the repayment and/or refinance of existing mortgage loans;
- Open the Scheme for periodic redemption requests when the Scheme has sufficient funds to do so;
- Continue to pay loan drawdown requests on approved mortgage facilities;
- Continue to pay management fees to the Responsible Entity and distributions to unitholders; and
- Advance funds for new mortgage loans if it is considered in the best interests of unitholders to do so.

There is significant uncertainty in the financial and property markets that may impact the value of underlying of security properties and the time it may take to receive cash flows from the repayment or refinancing of mortgage loans. Accordingly, there is uncertainty as to the amount that the Scheme will realise from its mortgage loans and the amount that will be repaid to unit holders.

In the event that the Scheme cannot continue as a going concern, it may not realise its assets or settle its liabilities in the normal course of operations and at the amounts stated in the financial report.

**SHAKESPEARE HANEY PREMIUM INCOME FUND**  
**ARSN 106 223 483**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

**3. DISTRIBUTIONS**

	<b>31 December 2010</b>	<b>31 December 2009</b>
Distribution expense to investors for the interim period comprise:	\$	\$
Distributions paid	5,862,055	7,264,389
Distributions payable	510,451	726,982
	6,372,506	7,991,371

As investors are presently entitled to the distributable income of the Scheme, no income tax is payable by the Scheme.

**4. NET ASSETS ATTRIBUTABLE TO INVESTORS - LIABILITY**

	<b>31 December 2010</b>	<b>30 June 2010</b>
	\$	\$
Opening balance	144,761,556	162,000,425
Applications	-	-
Reinvestments	-	61,520
Redemptions (i)	(10,788,205)	(547,286)
Closing balance	133,973,351	161,514,649
Profit/(unrealised capital loss) for the period (ii)	(3,335,347)	(16,753,093)
Closing balance	130,638,004	144,761,556

(i) Includes hardship withdrawals in accordance with Corporations Act provisions together with redemption offer made during the period.

(ii) Includes impairment losses in relation to mortgage loans and interest receivable as disclosed in note 5.

**5. MORTGAGE LOANS**

Mortgage loans	122,704,349	144,836,721
Total mortgage loans before unrealised impairment losses	122,704,349	144,836,721
Unrealised impairment losses	(21,366,251)	(26,733,260)
	101,338,098	118,103,461

At 31 December 2010 as part of its normal review procedures, the Scheme recorded impairment losses in respect of mortgage loans of \$4,001,637 (30 June 2010: \$16,747,753) and impairment reversals of \$715,407 (30 June 2010: \$1,883,578).

During the half-year ended 31 December 2010, the Scheme recognised \$8,616,293 (30 June 2010: \$9,308,365) in realised impairment losses, of which \$8,607,754 (30 June 2010: \$9,232,104) was recognised in provision for impairment losses in prior periods.

These impairment losses represent estimates of losses that may be incurred based on a number of assumptions including amounts that may be received upon repayment or sale of the security property and the period until funds are returned. In the current economic conditions there is uncertainty as to the amount that could be realised on the sale of security properties, and the time it may take to achieve a sale. Accordingly, actual impairment losses incurred may differ significantly from these estimates.

**SHAKESPEARE HANEY PREMIUM INCOME FUND  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

**6. LIQUIDITY RISK**

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Responsible Entity has managed this reduction in unitholders funds and requests for withdrawal by suspending withdrawals and redemptions on 28 January 2009 until further notice.

The property and the financial services sectors have experienced significant adverse market conditions during the year and subsequent to half- year end. These conditions may result in future delays in repayment from mortgage loan borrowers to the Scheme due to a variety of factors including the decline of available credit in the market. In addition, further loss of confidence in the finance sector may also result in increased redemption requests, or further reduce investor application levels, from unitholders in the scheme.

As the underlying investment security on the Scheme's principal assets, registered first mortgage loans, is property, the ability of investors to withdraw funds in accordance with redemption requests from the Scheme's investors, is dependent on the ability of the Scheme to realise its relatively illiquid assets.

**7. RELATED PARTIES**

There have been no significant changes to the related party transactions disclosed in the last Annual Report.

**SHAKESPEARE HANEY PREMIUM INCOME FUND**  
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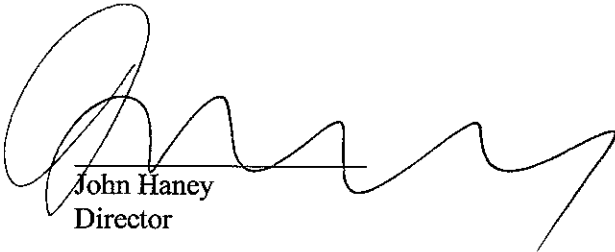
**DIRECTOR'S DECLARATION**

In the opinion of the directors of Shakespeare Haney Securities Limited, the Responsible Entity of Shakespeare Haney Premium Income Fund ("the Scheme"):

1. the financial statements and notes set out on pages 4 to 10 are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the Scheme as at 31 December 2010, and of its performance for the half-year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of Shakespeare Haney Securities Limited.

Dated at Gold Coast this 15<sup>th</sup> day of March 2011.

  
John Haney  
Director

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF  
SHAKESPEARE HANEY PREMIUM INCOME FUND**

We have reviewed the accompanying interim financial report of Shakespeare Haney Premium Income Fund ("the Scheme"), which comprises the condensed interim statement of financial position as at 31 December 2010, and the condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the half-year ended on that date, statement of accounting policies, other explanatory notes 1 to 7 and the directors' declaration.

*Directors' responsibility for the financial report*

The directors of Shakespeare Haney Securities Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Scheme's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Shakespeare Haney Premium Income Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

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



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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF  
SHAKESPEARE HANEY PREMIUM INCOME FUND**

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Shakespeare Haney Premium Income Fund is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Scheme's financial position as at 31 December 2010 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

A handwritten signature of the KPMG firm, written in a cursive style.

KPMG

A handwritten signature of Stephen Board, written in a cursive style.

Stephen Board  
*Partner*

Gold Coast  
15 March 2011