

Appendix 4E

Preliminary final report

Listing Rule 4.3A

Company	Platinum Capital Limited
ASX Code	PMC
Year Ended	30 June 2007
ABN	51 063 975 431

Results for Announcement to the market

			\$A'000
Total investment income	down	-67.59%	17,444
Profit after income tax attributable to members	down	-73.56%	9,111
Net profit for the period attributable to members	down	-73.56%	9,111

Under the conventions of International Accounting Standards recorded profits and losses are much more variable, as changes in the market value of the Company's total assets are reflected through the profit and loss account.

The longer term movement of asset values, combined with the flow of dividends, is a better measure of the performance of a listed investment company, such as Platinum Capital.

The Company believes a more appropriate measure of its results is the change in its Net Asset Value, adjusted for dividends. The NAV is released monthly to the ASX, the Australian Financial Review, the New Zealand National Business Review and on the Company's web site.

Dividends

Recommended Final Dividend	10 cents per share fully franked
Record date	30 October 2007
Payable date	14 November 2007
last date for receipt of election notices for the dividend	30 October 2007
re-investment plan	

An interim dividend of 5 cents per share fully franked was paid on 1 March 2007.

- Refer to the attached audited financial statements for financial data on the Company.
- Refer to the attached for Chairman's Report and Investment Manager's Report.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan is in operation and the recommended Final Dividend of 10 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be at a five percent discount on the prevailing stock market price (calculated as the average closing price over the five business days subsequent to the date on which the shares cease to trade cum dividend).

M Halstead
Secretary
8 August 2007

PLATINUM CAPITAL® LIMITED

ABN 51 063 975 431

ANNUAL REPORT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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PLATINUM CAPITAL LIMITED

Chairman's Report 2007

Investment Performance

Platinum Capital's performance in the 12 months to 30 June 2007 was disappointing. During the year, the net asset value increased by 5.5% pre-tax and by 4.2% after allowing for all tax liabilities both realised and unrealised. For a comparison the benchmark Morgan Stanley Capital Index rose 9.7% for the 12 months.

This short-term performance should be seen in the context of the long-term results which are more than satisfactory. Since its inception in 1994 the compound annual appreciation of the Company's assets on a pre-tax basis has been 16.2% compared to the return from the MSCI of 8.2%. The comparable return from the Australian All Ordinaries Accumulation Index has been 13.7% annually over the 13 years.

Platinum Capital Limited – Pre-Tax NAV Return versus MSCI Index (%)					
	1 year	3 years (compound pa)	5 years (compound pa)	Since inception (13 years compound pa)	Since inception (cumulative)
PCL	5.5	9.4	10.2	16.2	603.6
MSCI*	9.7	10.5	5.8	8.2	177.3

*Morgan Stanley Capital International All Country World Net Index

Source: Platinum and Factset

Dividends

A fully franked final dividend of 10 cents is recommended, making 15 cents for the full year. Your Directors' policy of smoothing dividend payments over time continues. The Directors are proposing to maintain the final dividend at 10 cents, despite a 73.6% decline in profit. Shareholders will realise that this policy of smoothing does not represent a guarantee. The ability of the Company to pay dividends must be a function of the return overtime from the investment portfolio.

Corporate Governance – International Accounting Standards

This Annual Report is prepared under Australian International Financial Reporting Standards.

It is worth re-stating the reference in my 2005 Chairman's Report to the impact of the International Accounting Standards on an investment company, like Platinum Capital Limited. "Under the International Accounting Standards recorded profits or losses will be much more variable. As changes in the market value of the Company's total assets are reflected through the profit and loss account, reported profits could look very unstable. Sometimes, let us hope, such erratic movements will be upwards rather than downwards".

"It is now more true than ever that the longer term movement of asset values, combined with the flow of dividends, is a better measure of the performance of a listed investment company, such as Platinum Capital, than necessarily more volatile day-by-day, quarter-by-quarter or even year-by-year fluctuations".

Environment

Included in this Annual Report is an internal note prepared by the Manager's analyst, Curtis Cifuentes, titled the 'Case for Solar'.

The Manager reports that it is carbon neutral (as is your Company), having purchased carbon credits to offset its carbon emissions. The next step being undertaken by the Manager's staff is to reduce the Manager's carbon emissions. This is an ongoing task.

Outlook for 2007 – 2008

The Manager makes it clear that "Our inherent aversion to risk has clearly retarded our performance". In essence, "the scale of the recent expansion in credit markets is unprecedented....and....investors in stocks are behaving in rational accordance with the signals they are receiving".

So, how to make a judgement call on the future ? The distortions in the global economy remain in place so, as a consequence, the Manager sees a need to "maintain a level of insurance on account of the system's unsound footing". At the same time the Manager has a high level of confidence in the inherent values in current shareholdings and being able to identify "pools of opportunity".

Finally

The Manager's report is required reading for all shareholders! It is a valuable insight into the thought processes and depth of analysis behind the investment decisions made by Kerr Neilson and the team at Platinum Asset Mangement.

Once again I would like to express my sincere appreciation of the efforts of the Manager along with those of my fellow Directors.

Graeme Galt
Chairman

Platinum Capital Limited
Quarterly Report as at 30 June 2007

Performance

The most interesting developments in this latest quarter have been in the US. The slackening of their long-running economic expansion that we saw earlier in the year proved to be no more than a temporary hesitation. As growth resumed so hopes of Fed. action to cut short-term interest rates faded. Long-dated bonds sold off with the yield in the 10 year note rising from 4.6% to 5.1%. It is far from clear, however, whether this reflected increasing inflationary pressures or simply a partial correction to an abnormally shaped yield curve.

Away from the US, confidence in continued growth, already high, strengthened further. There was a rebound in energy prices and strength in commodities generally including foodstuffs. This did not, perhaps surprisingly, lead to any noticeable inflationary fears and the price of gold, often used as a hedge against inflation, was largely unchanged, if anything slightly weaker.

A discordant note came from the development of concerns in the US sub-prime market where several hedge funds had problems with establishing the true value of their portfolios. This has not, so far, significantly affected the availability of funds for leveraged buyouts, though super heated areas of the market, such as REITS, have certainly lost some of their lustre, being down by about 20% from their February peak. We would expect further turbulence in the sub-prime/collateralised debt obligations markets and with it, deeper scrutiny of the nature of the risks lenders are taking. This might well impinge on the LBO market and the valuations of their agents. As you are aware, careless lending practices have been something of a hobbyhorse of ours so we will spare you further sermonising. A telling development is the listing of Blackstone with others to follow.

While our performance versus the market opportunities has improved in the last three and six month periods, the annual figures are still disappointing. Drilling down into the regional contribution over the first half of the year we see the following picture in A\$ terms:

Our stock selection was clearly respectable overall although we should have done better in Asia ex-

31/12/06 – 30/6/07			
	Company Return %	Regional Return %	Company Weightings %
ASIA	7.6%	17.0%	17%
JAPAN	-3.7%	-5.2%	26%
NORTH AMERICA	13.7%	1.3%	24%
EUROPE	8.7%	4.0%	21%
Long Equities Position	6.0%	2.3%	88.5%

Source: Platinum

Japan. Our timing and focus in China was particularly unfortunate although we believe we are well positioned to recover lost ground in coming months.

MSCI* WORLD INDEX COUNTRY PERFORMANCE (AUD)

Sector	Quarter	1 Year
Australia	5%	26%
Germany	11%	30%
Brazil	18%	41%
France	5%	15%
Korea	13%	17%
Japan	-5%	-6%
UK	2%	12%
US	1%	5%
Hong Kong	1%	13%
India	15%	41%

Source: MSCI

Our most telling error over the full year was the amount of money committed to the weakest market of all, Japan. This unfortunately was a function of the way we go about managing your money which is to **pick individual companies based on value, regardless of their geographic location**. This has not been rewarding recently but such apparent misallocations have been experienced in the past only to be revealed later as more to do with timing than anything else.

This leaves us with the much more critical “errors” of shorting in a rollicking bull market and of having an associated hedge by owning the yen. These actions virtually halved the Company’s return. As it became clearer that the fundamental drivers of this bull market are still in place, so we reduced both of these defensive positions to attempt to capture a greater portion of the prevailing opportunity. This does not mean that we plan to eliminate these positions. On the tenth anniversary of the debt-induced melt down in Asia, we are acutely sensitive to the prevailing credit risks.

The Company’s performance trailed the MSCI by 0.2% for the quarter, exceeded it by 0.7% for six months and trailed by 4.2% for the year*. While slightly trailing the MSCI over the last three years our performance should be judged in the context of the protection afforded investors by our hedging policy. It is certainly true, however, that the strong Australian dollar and startling performance of the ASX, does for the moment, make all international funds look pedestrian.

The following Platinum Net Asset Value figures (cps) are after provision for tax on both realised and unrealised income and gains.

30 April 2007	31 May 2007	30 June 2007
162.18	164.11	164.29

Source: Platinum

Currency

The sustained growth outlook and large interest rate differentials again favoured the commodity producing currencies. The yen suffered further loss of support among Japanese domestic investors as they flocked to alternative currency funds which are promoted on the basis of their yields, with only small print warnings about currency mismatching. At present it requires an ingenious mind to find the attractions of the yen, yet as we have seen in the past, currencies have the capacity to surprise and it can be boldly asserted that the yen is the least owned and cheapest major currency around. We have nevertheless cut some of our yen holdings in favour of the US dollar and we remain 26% hedged back into the Australian dollar.

Shorting

We continue to gradually replace stock specific shorts with sector specific alternatives. The short sale of REITs is paying off but not sufficiently to give us an overall reward for challenging the majority view. There have been no major changes geographically and a modest reduction in hedging.

Asset Allocation

DISPOSITION OF ASSETS		
Region	Jun 2007	Mar 2007
Japan	24%	26%
North America	27%	25%
Western Europe	21%	22%
Emerging Markets	18%	16%
Cash	10%	11%
Shorts	29%	34%

Source: Platinum

There have been no major changes geographically and a modest reduction in hedging.

Changes to the Portfolio

We have been gradually concentrating the portfolio in the top 15 positions and these now account for nearly 40 % of our long holdings. However, our largest holding, **Mosaic** has been exceedingly strong lately (+46% in 3 months) and we have been reducing the position. Other sales were the entire position of the paper maker **UPM** to make way for more pure pulp exposure, the reduction of **Samsung Holdings**, another hot stock over the quarter, in favour of **Samsung Electronics**, and additions to our theme of a long cycle of investment in energy-related plant namely **JGC** and **KBR**. An emerging theme is the broadening use of LEDs (light emitting diodes) in all lighting categories. This together with our enthusiasm for solar power, has led us to a handful of interesting companies.

With the harsh memories of the IMF crises now fading in Asia, together with the prospect of strong earnings growth, sound balance sheets and sensible valuations, we have been attracted to financial stocks in the region. Improving faith in their economies will favour the investment banks and brokers. Importantly, in both Taiwan and Korea, deregulation of the financial system is encouraging the development of Western-style product distributors.

When looking at companies in China one is often discouraged by valuations, particularly among consumer shares. Having heavily provided for its bad loans, the **Bank of China** is an interesting beneficiary of the ongoing boom on the mainland. This stock has been relatively weak since listing last year due to concerns about its exposure to the strengthening yuan and its somewhat weaker position than the big three in deposit gathering. On 15.5 times forward earnings and twice book, however, the growth prospects do not look fully appreciated.

China

From virtually all perspectives, China is progressively moving to centre stage. The re-emergence of this behemoth is changing the balance of the world economy. The sheer scale of its currency interventionist policy is unprecedented and consequently difficult to comprehend. With a freely floating exchange rate,

demand for the yuan would drive up its value significantly. However, under a managed float, the People's Bank of China (PBC) stands in the market matching inflows with an equivalent increase of yuan in circulation. To control what would otherwise be an explosion of domestic money supply, its first line of defence is to issue bonds to recover the newly printed yuan. In addition, it needs to impose increasingly stringent reserve requirements on the banks to control money growth by effectively locking away part of their balance sheets. This circle of intervention is completed by the PBC redeploying the accumulating foreign exchange reserves in the debt markets of its trading partners through the purchase of foreign debt paper and the inevitable downward pressure on global yields.

History indicates that mercantilist policies such as described above result in domestic asset bubbles. **Significantly, the greater an economy's ability to export the greater has been the resultant bubble.** The best example of this was Taiwan in 1986 when the trade surplus reached over 20% of GDP and even though the currency appreciated by some 30%¹, money supply rose by over 20% fuelling a massive bubble. From September 1985 to April 1990 the stock market exploded upwards 12 fold. As the currency rose it induced a self-fulfilling expectation of further rises and locals brought more funds on shore to participate in the boom even though the authorities did their best to encourage outflows. The introduction of capital gains tax and warnings of impending trouble did nothing to calm the speculative excesses.

A surprising feature of the bubble was that the banks prospered, partly because there was no conventional inflation but mainly because of asset growth. The cauterizing of their balance sheets which involved special reserves requirements that peaked at 40% of deposits, caused them to amplify risk-taking with the residual funds at their disposal...yet investors kept chasing bank shares. They rose on average by 20 fold in THREE years! The other beneficiaries were companies that were domestically orientated, while exporters languished. The same pattern was seen in Korea and Japan but the bubbles there were more modest, the respective market indices rising by ten fold and two and a half fold in about four years from 1985.

The position of China today suggests a similar paradigm. We can expect all manner of policies to be introduced to alleviate the pressure on the yuan, though, rather like sitting on a water bed, pressure relieved in one part will be transferred elsewhere. Outward flows are likely to be encouraged, initially to the likes of Hong Kong and Singapore, with the consequential impact on values. It is unlikely to be a smooth trajectory upward as investors respond to the phalanx of measures introduced to try to calm things down, yet past patterns **suggest the market will rise well beyond sustainable value.**

One remarkable feature of the industrialisation of China is that despite the distortion of factor input costs, the growth of **productivity has been colossal.** This has been assisted by the investment by Government in infrastructure (the World Bank unofficially puts this figure at 9% of GDP²) with the result that growth has been accomplished without the normal bottlenecks that cause inflation. Another notable feature has been the willingness of world markets to absorb the additions to industrial output made available by the massive expansion of domestic production and the much more constrained growth of domestic consumption. It is also true that economic conditions have been favourable to capital formation in the private sector³.

1. At the Plaza Accord in Sept 1985, G5 pressure forced an appreciation of the yen and by default the Korean won and Taiwanese dollar.
2. Personal income's share of the economy drifted down over the last 10 years from over 50% to 42%.
3. The lack of a social security net, and the profitability of industry skews the capital to labour share, ensuring a disproportionate allocation to the export sector.

At present the **US economy** is robust but should it falter the fact that **it absorbs some 20% of Chinese exports**, which accounts for 14% of total US imports will raise concern. Fortunately China's export dependency on the USA is diminishing as new markets take up the running, notably large countries such as India, commodity rich regions like Latin America, Africa, and Russia and its former satellites. Markets other than the US, Europe and Japan now account for 50% of Chinese exports. Unlike Japan during its growth spurt in the 70s, where exports accounted for mid teens of GNP, **China's economy derives a full third of its activity from exports**. This clearly exposes the country to economic shocks.

Internally the main risk is inflation. There are already worries about the cost of foodstuffs and any more general price inflation will make the authorities' task of managing the economy materially more difficult.

There is often no substitute for *in situ* discovery and from our recent visit to the two large coastal provinces of Zhejiang and Fujian, where we visited a large number of companies, we can report the following:

1. Cost pressure from labour is rising as willing supply tightens. Wages are growing at about 10% pa. Inducements for skilled supervisors seem to have increased.
2. There is increasing pressure on large and mid-sized companies to pay their proper taxes particularly those relating to workers benefits, healthcare and pensions and this is hurting their competitiveness compared to smaller pirate companies.
3. Invariably those we met were pricing their exports 20 to 30 % below "Western" competitors and yet still made high returns on funds employed, often 20% plus.
4. Many of the companies we saw believed that their export efforts were at an early stage as they were progressing through "supplier accreditation" with foreign multinationals - suggesting that even if and when the yuan strengthens, there is inherent momentum to their sales. It is impossible to say conclusively but perhaps this applies across the country at large.
5. Most managers were looking to move up-market in terms of their technical competence to ameliorate price competition in commodity products. It was astonishing how quickly these skills were being acquired, often with the help of retired Japanese and Korean technicians⁴.
6. Few regarded their "core business" as sacrosanct; some were willing to consider selling off factories to develop other activities; in one case to move from furniture manufacturing to furniture retailing. Their agility and speed of decision-making and implementation reflected an almost cavalier "can do" optimism.
7. Land is no longer quite as cheap, having escalated by 3 or 4 fold since 2003, but it is still cheap by global standards at say, US\$ 250,000 per hectare.

4. This is no illusion; an independent auto manufacturer we visited is now barely keeping up with demand, yet just one year ago its assembly plant seemed more like a warehouse of ill-pressed steel panels. Conditions were shambolic, there were more bodies on the remedial line getting the sledgehammer treatment than those entering the inspection bays!

At the political level we formed the view that the Government is serious about tackling the degradation of the environment and pollution and is clamping down on inefficient users of resources through forced closures and tax inducements, reinforced by the mid June '07 removal of tax rebates on energy-hungry and other highly polluting exporters. There is also greater emphasis on industry restructuring and amalgamation among State owned enterprises (SOE), again, to streamline and reduce waste.

Overall, then, while the Chinese economy is vulnerable to slowing exports, the **structural imperative to save and the profitability of the corporate sector is such that balance of payments surpluses will continue to mount**. Even if domestic rates are raised to attempt to slow the economy and if bank lending is restricted, the system may well be able to circumvent these traditional channels. **An upward adjustment of the exchange rate will eventually have to play a part to correct internal bloating expressed in the value of assets, namely property and shares.**

Outlook

Our inherent aversion to risk has clearly retarded our performance. It is well known that markets often overshoot but the scale of the recent expansion in credit markets is unprecedented.

Investors in stocks are behaving in rational accordance with the signals they are receiving. They can see that money is cheap and plentiful, company profits are at record levels, and there are no imminent signs that the cost of funds is about to destroy the arbitrage possibilities which exist when earnings yields are way above the cost of borrowing.

The emerging economies of Asia together with the oil producing regions are continuing to build up foreign exchange reserves and recycling them overseas in volumes that inevitably distort the cost of money.

Among the signals of danger will be the momentum of US economic activity, the levels of protestation regarding "unfair" trade practices, Chinese domestic inflation, the movements of the yen, and a shock to overconfidence resulting in an adverse credit correction.

Our predicament is to gauge how much insurance to run on account of the system's unsound footing and the degree to which we should provide for an "outlier event"⁵. Wary of overplaying our hand, we have reduced our shorts and have cut back on the associated play of holding yen. Our share holdings themselves are characterised by low financial leverage and typically our holdings are not trading at peak margins, are favoured by structural growth drivers and have valuations that are sensible. Importantly, although market valuations are generally high, we are still able to identify pools of opportunity.

Kerr Neilson
Managing Director

5. For those with time and the inclination we can recommend the book "The Black Swan" by Nassim Nicholas Taleb who is an author and mathematical trader with unsettling views about certainty.

SHAREHOLDER INFORMATION

Substantial Shareholders

No shareholders appeared in the Company's Register of Substantial Shareholders, maintained in accordance with section 671B of the *Corporations Act 2001*, as at 2 August 2007.

Distribution of Securities

	Class of equity security
(i) Distribution schedule of holdings	Ordinary
1-1000	921
1,001 - 5,000	4,396
5,001 - 10,000	3,070
10,001-100,000	3,085
100,001 and over	57
Total number of holders	11,529
(ii) Number of holders of less than a marketable parcel	235
(iii) Percentage held by the 20 largest holders	7.68%

Twenty Largest Shareholders

The names of the twenty largest holders of each class of listed equity securities as at 2 August 2007 are listed below

	Number of Shares	%
RBC Dexia Investor Services Australia Nominees Pty Limited	1,203,982	0.97
Forbar Custodians Limited	1,137,542	0.92
UBS Wealth Management Australia Nominees Pty Limited	1,131,453	0.91
Questor Financial Services Limited	897,768	0.72
Mrs Alicia Mae Cox	631,591	0.51
Feboco Investments Pty Limited	599,522	0.48
RBC Dexia Investor Services Australia Nominees Pty Limited	350,738	0.28
Dr Russell Kay Hancock	341,530	0.28
Questor Financial Services Limited	337,809	0.27
Mr Kerr William Neilson	324,019	0.26
ANZ Nominees Limited	310,568	0.25
Poseidon Nominees Pty Limited	300,000	0.24
Custodial Services Limited	283,774	0.23
Australian Executor Trustees Limited	282,200	0.23
KPT Pty Limited	259,838	0.21
Vichem Pty Limited	256,546	0.21
Sylvia Ann Havill & John David Hanning	230,920	0.19
Trust Company Superannuation Services Limited	217,940	0.18
Investment Custodial Services Limited	212,204	0.17
Biogreene Pty Limited	205,960	0.17

Voting Rights

Ordinary Shares

On a show of hands, every member present in person or represented by a proxy or representative shall have one vote and on a poll every member who is present in person or represented by a proxy or representative shall have one vote for every share held by them.

Platinum's Commitment to Carbon Neutrality

Platinum Capital Limited is committed to reducing the harmful impact it may make on the environment. For example, the use of energy by the management company, is closely monitored, as is the general creation of waste. To the extent, that staff travel in planes or use energy at work, carbon credits are purchased by the Investment Manager, at no cost to shareholders, as a carbon emission offset.

Distribution of Annual Report to Shareholders

The Law has been amended to allow for a new "opt in" regime in which shareholders will only receive a printed "hard copy" version of the annual report if they request one. The Directors have decided to mail out the 2007 annual report to all shareholders, unless they have "opted out". This position will be kept under review. Please communicate your views to the Company Secretary by e-mail to invest@platinum.com.au.

Financial Calendar

Annual General Meeting	19 October 2007
Ordinary Shares trade ex-dividend	24 October 2007
Record (books close) date for final dividend	30 October 2007
Final dividend paid	14 November 2007

These dates are indicative and may be changed.

Questions at AGM

If you would like to submit a question prior to the AGM to be addressed at the AGM, you may email your question to invest@platinum.com.au.

Investment Methodology

Platinum Capital Limited is an investment company listed on the Australian Securities Exchange and open to investors who wish to purchase shares in the same way as one might buy shares in NAB or BHP. Platinum Capital is taxed at source and pays shareholders dividends (usually fully franked). This feature distinguishes it from unit trust products.

Platinum Capital delegates the investment function to Platinum Investment Management Limited (trading as Platinum Asset Management). This entity employs an investment team that manages the investments of Platinum Capital. These are two discrete legal entities. As a shareholder in Platinum Capital you have no interest/ownership in Platinum Investment Management Limited or its listed parent, Platinum Asset Management Limited.

Platinum Asset Management's investment process has been well-tested over time. The principles on which it is based have not varied since inception although refinements continually evolve and develop.

Platinum Asset Management seeks a broad range of investments whose businesses and growth prospects are being inappropriately valued by the market. By using themes and an industry focus, the portfolio is built up through individual stock selection. Consideration of the macro environment as well as careful evaluation of how the stock will fit and function in the portfolio are also important.

By locating the research efforts together in one place Platinum Asset Management facilitates the cross pollination of ideas that is possible with the free-flow of information between managers with different geographic and industry responsibilities. It has the further benefit that distance acts as a filter and calming influence enabling a more objective assessment of "noisy" markets. This process is well supported by carefully planned and extensive visits to companies and key areas.

The wealth of research and detailed analysis that leads to the consideration of a stock addition/retention/reduction in a portfolio takes form in a disciplined reporting process that is open to the critical scrutiny of divergent thinking peers. This process serves to challenge and encourage analysts and to "test" the investment decision as well as add accountability to the process. Implementation of investment decisions is also given detailed attention as is the on-going review and monitoring of the portfolio.

For a more detailed look at Platinum Asset Management's investment process we would encourage you to visit Platinum's website at the following links:

www.platinum.com.au/invest_process.htm

www.platinum.com.au/invest_diagram.htm

DIRECTORS' REPORT

In respect of the year ended 30 June 2007, the Directors of Platinum Capital Limited (the Company) submit the following report made out in accordance with a resolution of the Directors.

Directors

The following persons were Directors of the Company during the whole year and up to the date of this report.

Graeme Galt	(Chairman and Non-Executive Director)
Peter Clarke	(Non-Executive Director)
Bruce Coleman	(Non-Executive Director)
Kerr Neilson	(Managing Director)
Andrew Clifford	(Director)
Malcolm Halstead	(Director and Secretary)

Principal Activity

The principal activity of the Company during the year was the investment of funds internationally into securities of companies, which are perceived by the Investment Manager to be undervalued.

Trading Results

The net profit of the Company for the year was \$9,111,000 (2006:\$34,464,000) after income tax expense of \$3,456,000 (2006:\$14,425,000).

Dividends

Since the end of the financial year, the Directors have recommended the payment of a 10 cents per share (\$12,400,000) fully franked dividend payable to Shareholders on 14 November 2007.

A fully franked interim dividend of 5 cents per share (\$6,156,000) was paid on 1 March 2007.

A fully franked final dividend of 10 cents per share (\$12,160,000) for the year ended 30 June 2006 was paid on 17 November 2006.

Review of Operations

The profit before tax was \$12,567,000 (2006:\$48,889,000) and a profit of \$9,111,000 (2006:\$34,464,000) after tax. Income tax expense for the year was \$3,456,000 (2006:\$14,425,000).

Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company that occurred during the year not otherwise disclosed in this report or the financial statements.

Events Subsequent to the end of the Financial Year

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in this report or financial statements that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

Likely Developments and Expected Results of Operations

The Company will continue to pursue its investment objective which is to increase the net asset value of the Company. The methods of operating the Company are not expected to change in the foreseeable future.

Rounding of Amounts

The Company is of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/0100 (as amended) and consequently amounts in the Directors' Report and financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Environmental Regulation

The Company is not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory Law.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

DIRECTORS' REPORT (Cont.)

Non-Audit Services

Details of the amounts paid or payable to the Auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Directors, in accordance with advice received from the Audit Committee, are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied, considering the nature and quantum of the non-audit services, that the provision of non-audit services by the Auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001*.

	2007	2006
	\$	\$
Audit services - statutory	76,480	82,601
Taxation services - compliance	29,740	31,249
Advisory services - advice	2,333	-
Advisory services - Foreign tax agent	2,955	2,942
Total remuneration	<u>111,508</u>	<u>116,792</u>

Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Information on Directors

Graeme Galt MBA, BCom, FAICD

Independent Non-Executive Director and Chairman for five years and member of the Audit Committee. (Age 67)
Mr Galt has extensive experience in senior line and staff roles, and in consulting positions across a wide range of industries and markets. He has held various directorships in both private and public companies.
Mr Galt is a Director of Asian Express Airlines Pty Limited and Senior Advisor to Templeton Galt.

Peter Clarke BSc(Econ)

Independent Non-Executive Director for eight years and Chairman of the Audit Committee. (Age 71)
Mr Clarke brings to the Board over 30 years experience in the Investment Management business.
Until 1987 he held various directorships in the UK and was Managing Director of a stockbroking firm.

Bruce Coleman BSc, BCom, CA

Independent Non-Executive Director for three years and member of the Audit Committee. (Age 57)
Mr Coleman has worked in the Finance and Investment industry since 1986. He was the CEO of MLC Investment Management from 1996 to 2004. He has held various directorships within MLC Limited, Lend Lease and the National Australia Banking group.
Former Director of MLC Limited from 2001 to 2004.
Mr Coleman was appointed as a Non-Executive Director of Platinum Asset Management Limited (the newly listed holding company of Platinum Investment Management Limited) on 10 April 2007.

Kerr Neilson BCom (UCT), ASIP

Managing Director for 13 years. (Age 57)
Relevant interest in 324,020 shares in the Company.
Appointed as Managing Director upon incorporation. He is the Managing Director of Platinum Investment Management Limited, the Company's Investment Manager and Platinum Asset Management Limited.
Prior to Platinum, Mr Neilson was an Executive Vice President at Bankers Trust Australia Limited.
Previously he worked in both the UK and South Africa as an investment analyst and fund manager.

Andrew Clifford BCom(Hons) (UNSW), ASIA

Director for 13 years. (Age 41)
Relevant interest in 81,004 shares in the Company.
Appointed a Director of the Company upon incorporation. He is a Director of Platinum Investment Management Limited, the Company's Investment Manager. Prior to Platinum Investment Management Limited, Mr Clifford was a Vice President at Bankers Trust Australia Limited.

Malcolm Halstead CA

Finance Director and Company Secretary for 13 years. (Age 49)
Relevant interest in 64,804 shares in the Company.
Appointed a Director of the Company upon incorporation. He is a Director of Platinum Investment Management Limited, the Company's Investment Manager and was appointed a Director of Platinum Asset Management Limited on 20 February 2007.
He is a Director of White Rabbit Gallery Limited. Prior to Platinum, Mr Halstead was a Vice President at Bankers Trust Australia Limited.
Previously he was with Price Waterhouse, Sydney and Jolliffe Cork, London.

DIRECTORS' REPORT (Cont.)

Directors' Meetings

The following table sets out the number of meetings held and attended by the Company's Directors during the year ended 30 June 2007.

	Board Meetings		Audit Committee Meetings	
	Held	Attended while a Director	Held	Attended while a member
G Galt	6	6	3	3
P Clarke	6	5	3	3
B Coleman	6	5	3	3
K Neilson	6	6	-	-
A Clifford	6	5	-	-
M Halstead	6	5	-	-

Remuneration Report

Principles used to determine the nature and amount of remuneration

The Executive Directors review and determine the remuneration of the Non-Executive Directors and may utilise the services of external advisors. It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Non-Executive Directors. The remuneration of the Directors is not linked to the performance or earnings of the Company.

Directors' fees

Non-Executive Directors' base remuneration is reviewed annually.

Retirement benefits for Directors

No retirement benefits (other than mandatory superannuation) are provided to Directors.

Other benefits (including termination) and incentives

No other benefits and incentives are paid to Directors.

Details of Remuneration

The Executive Directors (K Neilson, A Clifford and M Halstead) are all employees of the Investment Manager, Platinum Investment Management Limited, and are not remunerated by the Company. The Non-Executive Directors received the following amounts from the Company during the financial year:

Name	Short-term Benefits	Post-employment Benefits	Total
	Salary	Superannuation	
	\$	\$	\$
G Galt	55,000	4,950	59,950
P Clarke	50,000	-	50,000
B Coleman	50,000	4,500	54,500
Total remuneration	155,000	9,450	164,450

AASB 124: *Related Party Disclosures* defines key management personnel as "persons having authority and responsibility for planning, directing and controlling activities of the entity". The only employees that have this authority and responsibility are the Directors of Platinum Investment Management Limited.

Directors

The following persons were Directors of Platinum Investment Management Limited during the whole of the financial year and up to the date of this report:

K Neilson
A Clifford
M Halstead

There are no employees that hold an executive position within Platinum Investment Management Limited.

Key management personnel compensation

The Executive Directors (K Neilson, A Clifford and M Halstead) are all employees of the Investment Manager, Platinum Investment Management Limited, and are not compensated by the Company. Platinum Investment Management Limited does not directly or indirectly own shares in the Company. AASB 124 requires compensation provided by the Company or on behalf of the Company to be disclosed. Platinum Investment Management Limited is a related entity of the three Executive Directors, because the Executive Directors are also Directors of Platinum Investment Management Limited which provides investment management services to the Company.

A portion of the compensation paid by Platinum Investment Management Limited to its employees is in relation to managing the affairs of the Company. Platinum Investment Management Limited has not made any determination as to what proportion of its employees' compensation relates to the Company. Platinum Investment Management Limited paid: K Neilson a salary of \$207,575 (2006:\$250,000) and superannuation of \$105,111 (2006:\$12,140); A Clifford a salary of \$220,302 (2006:\$200,000), superannuation of \$42,384 (2006:\$12,140) and non-monetary benefits \$3,415 (2006:\$3,470); M Halstead a salary of \$250,000 (2006:\$200,000), and superannuation of \$12,686 (2006:\$12,140).

DIRECTORS' REPORT (Cont.)

Other Related Parties

Two of the Executive Directors (Messrs Neilson and Halstead) and one of the Non-Executive Directors (B Coleman) are also Directors of Platinum Asset Management Limited. The remuneration paid by Platinum Investment Management Limited to the Executive Directors has been disclosed above. Platinum Investment Management Limited has not made any determination as to what proportion of the Executive Directors' compensation relates to Platinum Asset Management Limited. In his capacity as a Non-Executive Director of Platinum Asset Management Limited, B Coleman was paid a salary of \$36,346 (2006:\$nil), superannuation of \$2,761 (2006:\$nil).

In the Company the number of Ordinary Shares in which the Directors have a relevant interest at balance date:

Name	Balance at 01/07/06	Acquisitions	Disposals	Balance at 30/06/07
K Neilson	324,020	-	-	324,020
A Clifford	81,004	-	-	81,004
M Halstead	64,804	-	-	64,804

Service Agreements

Remuneration and other terms of employment for the Non Executive Directors are formalised in service agreements. The Executive Directors do not have service agreements, as they are employees of the Investment Manager, Platinum Investment Management Limited.

G Galt, Chairman and Non-Executive Director

- Commenced on 25 July 2002.
- No term of agreement has been set unless the Director is not re-elected by Shareholders of the Company.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of \$59,950.

P Clarke, Non-Executive Director

- Commenced on 15 April 1999.
- No term of agreement has been set unless the Director is not re-elected by Shareholders of the Company.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of \$50,000.

B Coleman, Non-Executive Director

- Commenced on 10 June 2004.
- No term of agreement has been set unless the Director is not re-elected by Shareholders of the Company.
- Base salary, inclusive of superannuation, for the period ended 30 June 2007 of \$54,500.

Share Based Compensation

No shares or options are granted to Directors.

Directors' Interests in Contracts

The three Executive Directors are employees of and have a relevant interest in the Investment Manager and accordingly will receive a portion of the Management fee. They do not receive any Directors' remuneration from the Company.

Directors' Insurance

During the year, the Company incurred a premium in respect of a contract for indemnity insurance for the Directors and Officers of the Company named in this report.

Executives

The Company has no employees or executives other than the Directors.

This report is made in accordance with a resolution of the Directors.

Graeme Galt
Director

Kerr Neilson
Director

Sydney
8 August 2007

Auditors' Independence Declaration

As lead auditor for the audit of Platinum Capital Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit

This declaration is in respect of Platinum Capital Limited during the period.

AJ Loveridge
Partner
PricewaterhouseCoopers

Sydney
8 August 2007

Corporate Governance Statement

The Company is a listed investment company. Its shares are traded on the Australian Securities Exchange (ASX). The objective of the Company is to seek long term capital growth through utilising the skills of the Investment Manager, Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 which trades as "Platinum Asset Management".

Other than its Directors, the Company has no employees. It has no premises, plant or equipment or other physical assets. The Company's day-to-day affairs are managed by Platinum Asset Management in accordance with an Administrative Services Agreement. The Company's investment activities are undertaken by Platinum Asset Management in accordance with an Investment Management Agreement.

The Company's main corporate governance practices are set out below and, unless otherwise stated, were in place for the entire year.

The Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Governance Principles"), except where indicated.

Company policies, charters and codes referred to in this Statement are provided on the Company's website at www.platinumcapital.com.au ("Company's website").

1. The Board of Directors

G Galt
P Clarke
B Coleman
K Neilson
A Clifford
M Halstead

The Board operates in accordance with its Charter - a copy is available from the Company's website. The Charter details the functions and responsibilities of the Board.

1.1 Role of the Board

The role of the Board is to ensure:

- . the appointed Investment Manager is performing its duties in a skilful and diligent manner, employs qualified and experienced staff and operates appropriate risk monitoring and compliance procedures; and
- . the Company operates in compliance with its regulatory environment and good corporate governance practices are adopted.

1.2 Responsibilities of the Board

The principal responsibilities of the Board include:

- . overseeing and monitoring Platinum Asset Management's compliance with the terms of the Investment Management Agreement;
- . monitoring the Company's financial performance; and
- . identifying, controlling and monitoring material risks faced by the Company (including those associated with its compliance obligations) and ensuring appropriate reporting mechanisms are in place.

1.3 Composition of the Board

The Board comprises three Executive Directors (K Neilson, A Clifford and M Halstead) and three Non-Executive Directors (G Galt, P Clarke, and B Coleman). The qualifications and experience of the Directors are provided in the Directors' Report on page 5. The Board has determined (according to the criteria summarised below) that G Galt (the Chair of the Board), P Clarke and B Coleman are "independent" Non-Executive Directors.

Recommendation 2.1 of the Governance Principles provides that 'a majority of the board should be independent directors'.

The Board has determined that, given the size of the Company and its specialised nature, an 'equal' representation is more appropriate.

Director Independence

In consideration of the Governance Principles, the Board defines an 'independent director' to be a person who:

- . is not a substantial Shareholder of the Company or an officer of, or otherwise associated directly with, a substantial Shareholder of the Company;
- . has not, within the last three years been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- . has not within the last three years been a principal of a material professional advisor or material consultant to the Company, or an employee materially associated with the service provider;
- . is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- . has no material contractual relationship with the Company other than as a Director of the Company;
- . 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
- . 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.

The Board determines 'materiality' on both a quantitative and qualitative basis. An item that affects the Company's turnover by more than 0.5% is likely to be material.

However, this quantitative measure is supplemented with a qualitative examination, as the facts and the context in which the item arises will influence the determination of materiality.

1.4 Chairman and Managing Director (CEO)

The Chair is responsible for leading the Board, ensuring that the Board activities are organised and efficiently conducted and for ensuring Directors are properly briefed for meetings.

The Managing Director is responsible for ensuring the Investment Manager, Platinum Asset Management, complies with the terms of the Investment Management Agreement.

The Charter specifies that these roles are separate and are to be undertaken by different people.

Corporate Governance Statement (continued)

1.5 Recommendation 2.4 - Establishment of a Nomination Committee

Recommendation 2.4 of the Governance Principles provides that 'the board should establish a nomination committee'. Such a committee is mandated with reviewing, assessing and recommending changes to the company's process for evaluating, selecting and appointing directors.

Given the size of the Company and the Board, the Board considers a nomination committee is not warranted. The entire Board undertakes the role.

The Board considers the following when evaluating, selecting and appointing Directors:

- . The candidate's competencies, qualifications and expertise and his/her fit with the current membership of the Board.
- . The candidate's knowledge of the industry in which the Company operates.
- . Directorships previously held by the candidate and his/her current commitments to other boards and companies.
- . Existing and previous relationships with the Company and Directors.
- . The candidate's independence status and the need for a majority balance on the Board.
- . Requirements of the *Corporations Act 2001(Ch)* ("Corporations Act"), ASX Listing Rules, the Company's Constitution and Board of Directors' Policy.

The Board seeks to ensure that:

- . its membership represents an appropriate balance between Directors with investment management experience and Directors with an alternative perspective; and
- . the size of the Board is conducive to effective discussion and efficient decision-making.

1.6 Director Term of Office

The Company's Constitution specifies that all Directors, other than the Managing Director, must retire from office no later than the third Annual General Meeting (AGM) following their last election and that one-third of the Directors are to retire from office at each AGM. Where eligible, a Director may stand for re-election.

1.7 Independent Professional Advice

The Board of Directors' Charter provides that the Directors may seek independent professional advice at the Company's expense, after first notifying the Board.

The Board will review the estimated costs for reasonableness, but will not impede the seeking of advice.

1.8 Performance Assessment

The Board undertakes an annual self assessment of its collective performance, as well as the performance of its committees.

Independent professional advice may be sought as part of this process.

2. Board Committees

The Board may establish committees to assist in the execution of its duties and to allow a detailed consideration of complex issues.

To date, the Board has only found a need to establish an Audit Committee.

2.1 Audit Committee

The Audit Committee consists of three Non-Executive and 'independent' Directors: P Clarke (Chair), G Galt, and B Coleman.

Each member of the Committee has the appropriate financial expertise and industry understanding to perform their role. B Coleman is a Chartered Accountant, and P Clarke and G Galt are finance professionals. A summary of the Directors' qualifications and attendance at Audit Committee meetings is provided in the Directors' Report on pages 5 and 6.

The Committee operates according to its Charter – a copy is available from the Company's website.

The Charter sets out its role and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate.

The principal role of the Committee is to assist the Board in fulfilling its responsibilities relating to the financial reporting and accounting practices of the Company. Its key responsibilities are to:

- review and recommend to the Board the financial statements (including key financial and accounting principles adopted by the Company);
- assess and recommend to the Board the appointment of external auditors;
- monitor the conduct of audits;
- monitor the Company's compliance with its statutory obligations;
- review and monitor the adequacy of management information and internal control systems; and
- ensure that any Shareholder queries relating to such matters are dealt with expeditiously.

All matters determined by the Committee are submitted to the full Board as recommendations for Board decisions. Minutes of a Committee meeting are tabled at the subsequent Board meeting.

Additional requirements for specific reporting by the Committee to the Board are addressed in the Charter.

Recommendation 9.2 - Establishment of a Remuneration Committee

Recommendation 2.4 of the Governance Principles provides that 'the board should establish a remuneration committee'. Such a Committee is mandated with reviewing and recommending remuneration, incentive and employment policies for executive directors, other senior executives and non-executive directors.

Given the size of the Company and the fact that the Executive Directors are not remunerated by the Company, the Board has determined that a remuneration committee is not needed.

Remuneration Policies

Remuneration for the Non-Executive Directors is set at market rates commensurate with the responsibilities borne by the Non-Executive Directors.

The Executive Directors review and determine the remuneration of the Non-Executive Directors accordingly. Independent professional advice may be sought.

Further information, including remuneration paid to Non-Executive Directors for the 2006/2007 reporting year, is set out on page 6 of the Remuneration Report.

3. External Auditors

The policy of the Board is to appoint external auditors who demonstrate quality and independence.

The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

PricewaterhouseCoopers were appointed as the external Auditors to the Company in 1994.

It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external Auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report.

It is the policy of the external Auditor to provide an annual declaration of their independence to the Audit Committee.

The external Auditor will attend the Company's AGM and be available to answer Shareholder questions about the conduct of the audit and the preparation and content of the Audit Report.

Corporate Governance Statement (continued)

4. Company Policies

4.1 Directors' Code of Conduct

The Board has adopted a Directors' Code of Conduct which is based upon the Australian Institute of Company Directors' Code of Conduct. It requires the Directors to act honestly, in good faith, and in the best interests of the Company as a whole, whilst in accordance with the letter (and spirit) of the law. A copy of the Directors' Code of Conduct is available from the Company's website

4.2 Trading in Company Securities

The purchase and sale of shares in the Company by Directors is only permitted during a period of five business days following the Company's release of its monthly net tangible assets figure (both to the ASX and in the Australian Financial Review). Additional blackout periods are enforced as necessary (e.g. during an on-market buy-back of shares on issue). Any and all changes to Director shareholdings are reported to the ASX. The Investment Manager, Platinum Asset Management, imposes the same rules on itself and its employees. A copy of the Share Trading Policy is available from the Company's website.

4.3 Financial Reporting

In respect of the year ended 30 June 2007, the Managing Director and Finance Director have made the following certifications to the Board:

- . The Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards.
- . The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

4.4 Continuous Disclosure

The Board is committed to:

- . the promotion of investor confidence by ensuring that trading in Company shares takes place in an efficient, competitive and informed market;
- . complying with the Company's disclosure obligations under the ASX Listing Rules and the Corporations Act; and
- . ensuring the Company's stakeholders have the opportunity to access externally available information issued by the Company.

The Company Secretary is responsible for coordinating the disclosure of information to regulators and Company Shareholders, and ensuring that any notifications/reports to the ASX are promptly posted on the Company's website. A copy of the Communication Plan is available from the Company's website.

4.5 Shareholder Communication

The Board has adopted a Communications Plan which describes the Board's policy for ensuring Shareholders and potential investors of the Company receive or obtain access to information publicly released by the Company. The Company's primary portals are its website, annual report, AGM, half-yearly financial report, and monthly notices to the ASX. The Company Secretary oversees and co-ordinates the distribution of all information by the Company to the ASX, Shareholders, the media and the public. A copy of the Communication Plan is available from the Company's website.

4.6 Risk Assessment and Management

The Board, through the Audit Committee, is responsible for ensuring there are adequate policies in relation to risk oversight and management and internal control systems. The Company's policies are designed to ensure operational, legal and financial risks are identified, assessed, addressed and monitored. A summary of the Company's and the Investment Manager's risk management practices is available from the Company's website.

4.7 Business Rules of Conduct

The appointed Investment Manager, Platinum Asset Management, has established Business Rules of Conduct (BROC) applicable to its Directors and staff. It communicates the appropriate standards of behaviour, provides a framework for the workplace, and informs staff of their responsibilities with respect to legal compliance, confidentiality and privacy, conflicts of interest, investment activities and operational processes. Compliance is monitored by the Compliance team. Regular training sessions are provided by the Compliance Manager. All employees are asked to sign an annual declaration confirming their compliance with the BROC.

Income Statement

for the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
Investment income			
Dividends		2,842	3,089
Interest		560	382
Net gains/(losses) on equities/derivatives		10,710	50,433
Net gains/(losses) on forward currency contracts		6,340	(882)
Net gains/(losses) on overseas bank accounts		(3,008)	809
Total investment income		<u>17,444</u>	<u>53,831</u>
Expenses			
Management fee		3,237	3,161
Custody		185	219
Share registry		264	256
Directors' fees		164	167
Continuous reporting disclosure		143	112
Auditors' remuneration			
- Auditing and assurance services (\$76,480, 2006: \$82,601)		76	83
- Taxation services (\$29,740, 2006: \$31,249)		30	31
- Advisory services (\$5,288, 2006: \$2,942)		5	3
Transaction costs		157	217
Withholding tax on foreign dividends		273	292
Other expenses		343	401
Total expenses		<u>4,877</u>	<u>4,942</u>
Profit before income tax		12,567	48,889
Income tax expense	2(a)	<u>3,456</u>	<u>14,425</u>
Profit after income tax	8	<u>9,111</u>	<u>34,464</u>
Basic earnings per share (cents per share)	7	<u>7.42</u>	<u>28.66</u>
Diluted earnings per share (cents per share)	7	<u>7.42</u>	<u>28.66</u>

The Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet
as at 30 June 2007

	Notes	2007 \$'000	2006 \$'000
Assets			
Financial assets at fair value through profit or loss	1(c), 3	192,405	195,710
Cash and cash equivalents	9(a)	21,148	28,070
Receivables	4	367	417
Deferred tax assets	2(b)	114	76
Total assets		214,034	224,273
Liabilities			
Payables	5	1,411	814
Income tax payable		1,141	8,307
Deferred tax liabilities	2(c)	7,565	7,578
Total liabilities		10,117	16,699
Net assets		203,917	207,574
Equity			
Contributed equity	6	143,275	137,727
Retained profits	8	60,642	69,847
Total equity		203,917	207,574

The Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
for the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
Total equity at the beginning of the financial year		207,574	185,550
Profit for the year		9,111	34,464
Total recognised income and expense for the financial year		9,111	34,464
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transactions costs	6	5,548	5,474
Dividends paid	14	(18,316)	(17,914)
		(12,768)	(12,440)
Total equity at the end of the financial year		203,917	207,574

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Dividends received		2,768	3,112
Interest received		549	368
Cost of purchases of financial assets		(129,584)	(120,528)
Proceeds from sale of financial assets		150,335	149,004
Management fees paid		(3,244)	(3,126)
Other expenses		(1,657)	(1,761)
Income tax paid		(10,674)	(3,024)
Net cash from operating activities	9(b)	<u>8,493</u>	<u>24,045</u>
Cash flows from financing activities			
Proceeds from issue of shares		5,548	5,474
Dividends paid		(18,342)	(17,953)
Net cash from financing activities		<u>(12,794)</u>	<u>(12,479)</u>
Net increase / (decrease) in cash and cash equivalents		<u>(4,301)</u>	<u>11,566</u>
Cash and cash equivalents held at the beginning of the financial year		28,070	15,671
Effects of exchange rate changes on cash and cash equivalents		(2,621)	833
Cash and cash equivalents held at the end of the financial year	9(a)	<u>21,148</u>	<u>28,070</u>

The Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

(a) Basis of Preparation

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of "financial assets held at fair value through profit or loss".

Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements of the Company, and notes thereto, complies with International Financial Reporting Standards (IFRS).

The preparation of the financial statements in conformity with AIFRS requires the use of certain critical accounting estimates and judgements, which are included below.

(b) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period taxable income based on the current income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Under AASB 112: *Income Taxes*, deferred tax balances are determined using the Balance Sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Balance Sheet and their associated tax bases.

(c) Financial Assets Held at Fair Value through Profit or Loss

Under AASB 139, investments are classified in the Balance Sheet as "financial assets held at fair value through profit or loss". These financial assets are initially recognised at fair value, typically represented by cost excluding transaction costs, which are expensed as incurred. Financial assets are measured at fair value and exclude transaction costs. Investments values are based on quoted "bid" prices on long securities and quoted "ask" prices on securities sold short.

Gains and losses arising from changes in the fair value of the financial assets are included in the Income Statement in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Transaction Costs

Initial measurement (cost) on acquisition of trading securities shall not include directly attributable transaction costs such as fees and commissions paid to agents. Incremental transaction costs are expensed as incurred in the Income Statement.

(e) Foreign Currency Translation

The functional and presentation currency of the Company as determined in accordance with AASB 121 *The Effects of Changes in Foreign Exchange Rates* will be the Australian dollar.

Transactions denominated in foreign currencies are translated into Australian currency at the rates of exchange prevailing on the date of the transaction. Foreign currency assets and liabilities existing at balance date are translated at exchange rates prevailing at balance date. Resulting exchange differences are brought to account in determining profit and loss for the year.

(f) Investment Income

Interest income

Interest income is recognised in the income statement using the effective interest method, which allocates income over the relevant period.

Dividend income

Dividend income is brought to account on the applicable ex-dividend date.

(g) Directors' Entitlements

Liabilities for Directors' entitlements to fees are accrued at nominal amounts calculated on the basis of current fees rates.

Contributions to Directors' superannuation plans are charged as an expense as the contributions are paid or become payable.

(h) Earnings Per Share

Basic and diluted earnings per share is determined by dividing the profit after income tax by the weighted number of ordinary shares outstanding during the financial year.

(i) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash includes deposits at call and cash at bank, which are readily convertible to cash on hand.

Cash at the end of the financial year, as shown in the Cash Flow Statement, is reconciled to the related item in the Balance Sheet.

(j) Receivables

All receivables are recognised as and when they are due.

Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when there is evidence the amount will not be collected.

(k) Payables

All payables and trade creditors are recognised as and when the Company becomes liable.

(l) Contributed Equity

Ordinary shares are classified as equity.

(m) Dividends

Provision is made for the amount of any dividend declared or determined by the Directors on or before the end of the financial year but not paid at balance date.

(n) Rounding of amounts

The Company is of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/0100 (as amended) and consequently amounts in the financial report and financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(o) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST is not recoverable from the tax authority. In this case, it is recognised as part of the cost of the acquisition of the asset or has been expensed.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(p) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 7: *Financial Instruments Disclosure* and AASB 2005-10: *Amendments to Australian Accounting Standards*

(AASB 132, AASB 101, AASB 114, AASB 133, AASB 139 & AASB 1).

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. AASB 7 requires qualitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The Company has not adopted the standard early. Application of this standard will not affect any of the amounts recognised in the financial statements.

(ii) AASB 101: *Presentation of Financial Statements*

The impacts of the revised AASB 101 are to eliminate much of the Australian specific content, including the Australian illustrative formats of the income statement, balance sheet and statement of changes in equity which entities were previously "encouraged" to adopt when preparing their financial statements.

(iii) AASB 8: *Operating Segments* and AASB 2007-3: *Amendments to Australian Accounting Standards* (AASB 107 & AASB 134).

AASB 8 and AASB 2007-3 are applicable to annual reporting periods beginning on or after 1 January 2009.

AASB 8 requires the adoption of a "management approach" to disclosing information about its reporting segments. Generally, the financial information will be reported on the same basis as was used internally by the chief decision maker for evaluating operating segment performance and deciding how to allocate resources to operating segments. The amendment should not affect the Company's financial statements.

(iv) AASB 2007-4: *Amendments to Australian Accounting Standards* arising from ED 151 and Other Amendments

(AASB 1, AASB 7, AASB 114, AASB 118, AASB 121, AASB 132 & AASB 134).

AASB 2007-4 was introduced to allow accounting policy choices under AIFRS that were not previously incorporated by the AASB, and to remove many Australian specific disclosures. This amendment is not expected to have an impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS continued
30 June 2007

2. Income Tax

	2007	2006
	\$'000	\$'000
(a) The income tax expense attributable to profit/(loss) comprises:		
Current income tax provision	3,542	9,603
Deferred tax liabilities	(13)	4,821
Deferred tax assets	(38)	(8)
Under/(over) provision of prior period tax	(35)	9
	<u>3,456</u>	<u>14,425</u>

The aggregate amount of income tax attributable to the financial year differs from the prima facie amount payable on the profit. The difference is reconciled as follows:

Profit before income tax expense	<u>12,567</u>	<u>48,889</u>
Prima facie income tax on profit at 30%	3,770	14,667
Tax effect on temporary differences which: <i>Reduce tax payable</i>		
Allowable credits	(279)	(251)
Under/(over) provision of previous period tax	(35)	9
Income tax expense	<u>3,456</u>	<u>14,425</u>

(b) Deferred tax assets

	2007	2006
	\$'000	\$'000

The balance comprises temporary differences attributable to:

Auditing and review	8	15
Taxation services	6	6
Preparation of Annual report	68	55
Accounting/Tax cost on investments	32	-
Deferred tax assets	<u>114</u>	<u>76</u>

(c) Deferred tax liabilities

	2007	2006
	\$'000	\$'000

The balance comprises temporary differences attributable to:

Dividends receivable	33	24
Accounting/Tax cost adjustment	-	(56)
Unrealised gains on financial assets	7,532	7,610
Deferred tax liabilities	<u>7,565</u>	<u>7,578</u>

3. Financial Assets at Fair Value Through Profit or Loss

	2007	2006
	\$'000	\$'000
	Fair Value	Fair Value
Listed and non-listed securities	190,937	197,175
Derivatives	502	(2,162)
Foreign currency contracts	966	697
Total Financial Assets at Fair Value Through Profit or Loss	<u>192,405</u>	<u>195,710</u>

The fair value of financial assets are measured at "bid" price for listed securities and "ask" price for short sold listed securities excluding transaction costs.

NOTES TO THE FINANCIAL STATEMENTS continued
30 June 2007

4. Receivables

	2007 \$'000	2006 \$'000
Proceeds on sale of financial assets	1	44
Dividend receivable	107	81
Interest receivable	46	36
Prepayments	87	67
Sundry debtors	56	155
Goods and Services Tax	70	34
	<u>367</u>	<u>417</u>

Proceeds on sale of financial assets are usually received between two and five days after trade date.
Interest is usually received within three days of becoming due and receivable and dividends are usually received within approximately thirty days of the ex-dividend date.

5. Payables

Payables on purchase of financial assets	638	46
Trade creditors (unsecured)	611	580
Unclaimed dividends payable to shareholders	162	188
	<u>1,411</u>	<u>814</u>

Payables on purchase of financial assets are usually paid between two and five days after trade date.
Trade creditors are unsecured and payable between seven and thirty days after being incurred.
These current payables are non interest bearing.

NOTES TO THE FINANCIAL STATEMENTS continued
30 June 2007

6. Contributed Equity

		2007	2007	2006	2006
		Quantity	\$'000	Quantity	\$'000
Opening balance		121,599,656	137,727	118,828,743	132,253
Dividend reinvestment plan	18-Nov-05	-	-	1,816,411	3,542
Dividend reinvestment plan	27-Feb-06	-	-	936,860	1,893
Reinvestment of unclaimed dividends	22-May-06	-	-	17,642	39
Reinvestment of unclaimed dividends	31-Aug-06	7,635	18	-	-
Dividend reinvestment plan	17-Nov-06	1,519,329	3,616	-	-
Dividend reinvestment plan	1-Mar-07	861,444	1,878	-	-
Reinvestment of unclaimed dividends	23-May-07	16,519	36	-	-
Closing balance		124,004,583	143,275	121,599,656	137,727

Shares are issued under the Dividend Reinvestment Plan at a 5% discount to the market price.
For reinvestment of unclaimed dividends, additional shares are issued at the last sale price of the Company's shares on the first business day following the expiration six months from the date of payment of the relevant dividend.

Ordinary Shares

Ordinary Shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

7. Earnings per share

	2007	2006
Basic earnings per share - cents per share	<u>7.42</u>	<u>28.66</u>
Diluted earnings per share - cents per share	<u>7.42</u>	<u>28.66</u>
Weighted average number of Ordinary Shares on issue used in the calculation of basic and diluted earnings per share	<u>122,836,450</u>	<u>120,268,658</u>
	\$'000	\$'000
Earnings used in the calculation of basic and diluted earnings per share	<u>9,111</u>	<u>34,464</u>

There have been no conversions to, calls of, or subscriptions for Ordinary Shares other than those issued under the dividend reinvestment plan, or issues of potential Ordinary Shares during the financial year.
As there are no potential Ordinary Shares, diluted earnings per share equals basic earnings per share.

8. Retained Profits

	Notes	2007	2006
		\$'000	\$'000
Retained earnings at the beginning of the financial year		69,847	53,297
Net profit/(loss)		9,111	34,464
Dividends provided for or paid	14	(18,316)	(17,914)
Retained earnings at the end of the financial year		<u>60,642</u>	<u>69,847</u>

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2007

9. Notes to the Cash Flow Statement**(a) Reconciliation of Cash**

	2007	2006
	\$'000	\$'000
Cash at bank *	172	243
Cash on deposit **	20,976	27,827
	<u>21,148</u>	<u>28,070</u>

* Includes \$157,000 (2006: \$188,000) held in respect of unclaimed dividends on behalf of shareholders.

** Includes \$9,457,000 (2006: \$8,026,000) on deposit to 'cash cover' derivative contracts' deposits and margin calls. These amounts are held by the relevant derivative exchanges and counterparties as security and are not available for use by the Company until the derivative contracts are closed out. If losses are realised on the close out of derivative contracts, the cash balances are set off against those losses.

If profits are realised on the close out of derivative contracts, the money is returned to the Company.

The Company maintains bank accounts at various locations throughout the world to enable the settlement of purchases and sales of investments and to conduct other normal banking transactions. All accounts are at call and the majority bears floating interest rates in the range of 0.05% to 0.85% (2006: 0.05% to 0.85%).

	2007	2006
	\$'000	\$'000
(b) Reconciliation of Net Cash from Operating Activities to Profit/(Loss) after Income Tax		
Profit/(loss) after income tax	9,111	34,464
Decrease/(increase) in investment securities and forward currency contracts	3,305	(21,332)
(Increase)/decrease in cash due to exchange rate movements	2,621	(833)
Decrease/(increase) in settlements receivable	43	275
Decrease/(increase) in dividends receivable	(26)	22
Decrease/(increase) in interest receivable	(10)	(14)
Decrease/(increase) in Goods and Services Tax receivable	(36)	2
Decrease/(increase) in sundry debtors	99	(12)
Decrease/(increase) in prepayments	(20)	1
(Decrease)/increase in accrued expenses	31	54
(Decrease)/increase in settlements payable	592	20
(Decrease)/increase in income tax payable	(7,166)	6,585
(Increase)/decrease in deferred tax assets	(38)	(8)
Increase/(decrease) in deferred tax liabilities	(13)	4,821
Net cash from operating activities	<u>8,493</u>	<u>24,045</u>

10. Statement of Net Asset Value**Reconciling Net Asset Value in accordance with AIFRS to that reported to the ASX***

Net Asset Value per Balance Sheet	203,917	207,574
Add:		
Difference between bid price under AIFRS and last sale price	(267)	801
Adjustment to receivables	-	(17)
Deferred income tax on movements on AIFRS and last sale price	80	(240)
Net Asset Value	<u>203,730</u>	<u>208,118</u>
Net Asset Value - cents per share	<u>164.29</u>	<u>171.15</u>

* Financial assets are valued at last sale price with an allowance for transaction costs.

NOTES TO THE FINANCIAL STATEMENTS continued
30 June 2007

	Quantity	2007 Fair Value \$'000
11. Investment Portfolio		
Japan		
Aeon	125,000	2,730
Ajinomoto	203,400	2,759
Alpine Electronics	53,200	961
Bank of Nagoya	800	6
Chiba Bank	148,800	1,552
Chiyoda	16,000	359
Chugoku Bank	62,900	1,028
Denso	82,430	3,798
Fukuoka Financial Group	114,100	886
Hamamatsu Photonics	14,200	524
JGC Corp	104,400	2,300
JS Group	42,100	1,006
Kajima	128,400	633
McDonald's Holdings Co Japan	36,000	690
Mitsubishi Heavy Industries	30,463	230
Nagano Bank	2,100	8
Nitto Denko	16,800	992
Nomura Securities	68,300	1,567
Obayashi	364,000	2,338
Rohm Co	23,080	2,416
Sega Sammy Holdings	39,300	748
Sekisui House	60,600	953
Sharp	67,100	1,501
Shimizu	115,900	792
Shizuoka Bank	75,100	895
SMC	6,985	1,092
Sony	68,090	4,120
Sumitomo Chemical	131,900	1,043
Sumitomo Mitsui	227	2,495
Toyota Industries	56,100	3,073
Ulvac Inc	14,300	604
Ushio Denki	74,300	1,942
West Japan Railway	231	1,267
Yamanashi Chuo Bank	99,600	752
Yamato Holdings	117,000	1,947
Yokogawa Electric	102,900	1,625
Total Japan		51,632
Other Asia		
<i>Hong Kong</i>		
Henderson Land Development	253,800	2,035
Hutchison Whampoa	429,400	5,022
		7,057
<i>India</i>		
S&P CNX Jul 07 Future - Sold Short	(206)	(28)
NTPC	275,870	1,216
Reliance Energy	114,556	2,034
		3,222

NOTES TO THE FINANCIAL STATEMENTS continued
30 June 2007

	Quantity	2007 Fair Value \$'000
11. Investment Portfolio (continued)		
Other Asia (continued)		
<i>Korea</i>		
Kangwon Land	46,053	1,256
Kookmin Bank	14,620	1,512
Korea Investment Holdings	14,069	1,130
Kospi Sept 07 Future - Sold Short	(26)	71
Lotte Shopping	737	338
Samsung Corporation	22,486	1,296
Samsung Electronics	3,408	2,463
Samsung Fire & Marine Insurance	7,364	1,671
SK Telecom	7,832	2,112
		11,849
<i>China</i>		
Bank of China - H	3,536,600	2,067
China Telecom - H	3,034,200	2,088
CNOOC	714,400	952
Denway Motors	1,907,600	1,069
Dongfeng Motor Group - H	776,200	486
GOME Electrical Appliances Holdings	158,016	284
		6,946
<i>Taiwan</i>		
Fuhwa Financial Holdings	640,131	428
Fuhwa Financial Holdings P - Note	1,099,009	735
MSCI Taiwan Index Jul 07 - Sold Short	(23)	(4)
Polaris Securities	2,513,589	1,532
		2,691
<i>Singapore</i>		
Singapore Airlines	173,800	2,500
		2,500
<i>Thailand</i>		
Bangkok Bank NVDR	596,300	2,379
		2,379
Total Other Asia		36,644
Australia		
SPI 200 Sept 07 Future - Sold Short	(40)	48
Total Australia		48
Europe - Euro		
<i>France</i>		
Areva	1,420	1,791
Credit Agricole	96,230	4,629
Pernod Ricard	12,924	3,379
Publicis Groupe	46,200	2,405
		12,204
<i>Germany</i>		
Adidas	15,800	1,178
DAX Index Fut Sept 07 - Sold Short	(18)	(183)
Henkel KGAA - Vorzug	60,591	3,764
Hornbach Baumarkt	45,600	4,335
Hornbach Holdings	11,860	1,872
MLP	31,163	701
Qiagen	36,268	758
Siemens	34,250	5,820
		18,245
<i>Netherlands</i>		
Royal Dutch Shell	90,714	4,366
		4,366
<i>Finland</i>		
Stora Enso Oyj	97,297	2,167
		2,167
Total Europe - Euro		36,982

NOTES TO THE FINANCIAL STATEMENTS continued
30 June 2007

	Quantity	2007 Fair Value \$'000
11. Investment Portfolio (continued)		
Europe - Other		
<i>Sweden</i>		
Ericsson - B	1,167,500	5,524
		5,524
<i>Switzerland</i>		
Lindt & Spruengli - Registered	20	698
		698
<i>United Kingdom</i>		
Johnson Matthey	30,078	1,202
		1,202
Total Europe - Other		7,424
North America		
<i>Canada</i>		
Bombardier	862,900	6,075
Domtar	186,500	2,437
Fairfax Financial Holdings - Sold Short	(2,100)	4
		8,516
<i>United States</i>		
Affymetrix	28,600	838
Applied Materials	9,000	210
Ariad Pharmaceuticals	52,082	335
Barrick Gold	56,800	1,943
Caliper Life Sciences	63,114	347
Cephalon	5,600	530
Cisco Systems	172,000	5,632
Far East Energy	285,700	468
General Growth Properties - Sold Short	(32,800)	79
Incyte	150,987	1,067
International Paper	118,966	5,471
Invitrogen	7,400	642
Ishares Real Estate ETF - Sold Short	(88,200)	549
Ishares S&P 600 Cap - Sold Short	(177,122)	(69)
Johnson & Johnson	15,000	1,088
KBR	44,126	1,362
Liberty Media Interactive	47,663	1,252
Mercer International	95,200	1,142
Microsoft	172,800	5,992
Mosaic	150,033	6,879
Myriad Genetics	26,600	1,164
Newmont Mining	37,050	1,702
News Corp - CDI	105,279	2,858
Nordstrom - Sold Short	(19,000)	43
Oracle	68,000	1,577
Pfizer	86,700	2,606
Precision Castparts - Sold Short	(16,400)	(126)
Research In Motion - Sold Short	(1,000)	(56)
Russell Mini Sept 07 Future - Sold Short	(134)	25
Smurfit-Stone Container	66,700	1,045
Stryker - Sold Short	(27,000)	148
Tyson Foods	9,700	263
VEECO Instruments	21,736	530
Verenium	31,441	188
XOMA	137,330	493
Zymogenetics	27,800	478
		48,695
Total North America		57,211

NOTES TO THE FINANCIAL STATEMENTS continued
30 June 2007

	Quantity	2007 Fair Value \$'000
11. Investment Portfolio (continued)		
South America		
<i>Peru</i>		
Bayer Peru - Trabajo	77,287	112
Peru Holding De Turismo - Trabajo	1,667,523	121
Total South America		233
South Africa		
Anglogold Ashanti - ADR	28,470	1,265
Total South Africa		1,265
Liquids		
Outstanding settlements		(530)
Forward currency contracts		966
Cash on deposit		20,976
Total Liquids		21,412
Total Investment Portfolio notes 12(a) and 12(b)		212,851
Accounted for in payables (payables on purchase of investments)		638
Accounted for in receivables (proceeds on sale of investments)		(1)
Accounted for in receivables (dividends receivable)		(107)
Accounted for in Financial Assets (Note 3) and Cash on Deposit (Note 9a)		213,381

The total number of securities transactions entered into during the reporting period, together with total brokerage paid during the reporting period:

Number of transactions - 2,215 Total brokerage paid - \$343,978

12. Risk Management

It is the Company's investment objective to seek long term capital growth through investing in undervalued securities across the world.

The Investment Manager may also invest in fixed interest investments, although this is not the primary investment objective.

The Company's investments are subject to price (which includes currency, interest rate and market risk), credit and liquidity risks.

The Company's primary risks are related to the investment activities undertaken on its behalf by the Investment Manager.

The Company has a policy of not borrowing moneys, other than on a short term basis for settlement, trading and like purposes.

The Company's investment restrictions prohibit it from taking positions in futures, options, other derivative products or short sales of securities if:

- (i) the underlying value of derivative contracts exceeds 100% of the Portfolio Value. Where options are employed, the underlying value will be the delta adjusted exposure.
- (ii) the underlying value of long stocks and derivative contracts exceeds 150% of the Portfolio Value. Where options are employed, the underlying value will be the delta adjusted exposure.

The Board monitors the level of risk in the Investment Portfolio regularly through formal Directors' meetings with the Investment Manager. The Investment Manager monitors the risks daily and implements risk management strategies consistent with the invested position as it believes necessary. The effective exposure to currencies and markets is continuously monitored by the Investment Manager and the Company.

The international investment activities of the Company expose it to currency risk - the possibility of losing money owing to changes in forward currency contract exchange rates - and manages this risk through the use of forward currency contracts and options on forward contracts to mitigate changes in currency rates. Contracts open at balance date are accounted for as foreign currency monetary assets and liabilities - refer note 1(e).

NOTES TO THE FINANCIAL STATEMENTS continued
30 June 2007

The Company is exposed to credit related losses in the event of non-performance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings. Where appropriate, the Company utilises master netting agreements.

The investment activities of the Company expose it to market price risk - the possibility of losing money owing to changes in the market prices of its investments - and manages this risk through derivative contracts, futures, options and swaps. Such transactions are to protect the investment portfolio from either being invested or held as cash. Contracts are primarily for the purpose of portfolio protection and are aimed at decreasing the level of market price risk in the portfolio.

The Company is exposed to liquidity risks - the possibility of being unable to obtain the fair value of an asset or derivative owing to prevailing market conditions - and manages this risk by using derivatives in liquid markets and managing exposure to assets in illiquid markets; although it should be noted that even the most liquid markets can become illiquid in times of severe downward price corrections.

The Company is exposed to interest rate risks - the possibility of losing money owing to changes in interest rates and, more particularly for the Company, the effect that changes in interest rates have on currency and stock market prices - and manages these as noted above for currency and market risks.

Refer to Note 1 for the accounting policies adopted with respect to derivatives and currencies.

(a) Investments at Fair Value and Derivatives Exposure

	Physical	Net Exposure	Physical	Net Exposure
	2007	2007	2006	2006
	\$'000	\$'000	\$'000	\$'000
Japan	51,632	51,632	57,640	34,289
Other Asia	36,644	30,710	26,099	18,072
Australia	48	(6,278)	32	(3,017)
Europe - Euro	36,982	31,369	45,946	42,729
Europe - Other	7,424	7,424	12,717	12,717
North America	57,211	12,246	50,563	(8,971)
South America	233	233	172	172
South Africa	1,265	1,265	1,844	1,844
	<hr/>	<hr/>	<hr/>	<hr/>
	191,439	128,601	195,013	97,835
Cash and accruals	21,412	84,250	28,603	125,781
Total	<hr/>	<hr/>	<hr/>	<hr/>
	212,851	212,851	223,616	223,616

The "Physical" column shows the location of the Company's investments.

The "Net Exposure" represents an approximation of the investment Portfolio's exposure to movements in markets. This is calculated by making two adjustments to the "Physical" position. The first is to subtract, from the physical position, the principal notional amount of any short (sold) and add any long (bought) derivative positions in shares or share index futures. For example, if 5% of the Portfolio was invested in Japan but there was a 2% short position in Nikkei futures, then the net exposure column would show 3%. Conceivably the figure could show a negative exposure which would indicate the Portfolio was net short the Japanese market. The second adjustment is for options held to buy shares (bought calls). A call option with the premium representing 0.5% of the Portfolio to buy shares in Toyota worth, say 3% of the Portfolio would require an additional 2.5% to be added to the Japanese exposure (thus determining underlying exposure).

The Company uses derivatives contracts in liquid markets and generally utilises short dated contracts; those with 90 day maturities. The existing derivative positions are held with high credit rating counterparties with maturity dates ranging from 77 days to 80 days. Initial margin requirements and daily variation margin requirements on derivatives contracts are met in cash. Derivative contracts have little credit risk as they are traded on recognised exchanges. Over the Counter equity swaps are also entered into by the Company with high credit rating counterparties with maturity dates of no more than 90 days. Initial margin requirements and daily variation margin requirements are met in cash.

The Company uses Exchange Traded and Over The Counter Options, where the maximum potential loss is paid up-front by way of a premium. There is little credit risk attached to these instruments, as they are traded on recognised exchanges or with high credit rating counterparties.

NOTES TO THE FINANCIAL STATEMENTS continued
30 June 2007

(b) Currency Exposure at Fair Value

2007	Physical	Bought	Sold	Net Exposure
	2007	2007	2007	2007
	\$'000	\$'000	\$'000	\$'000
Japan	52,790	10,641	(8,313)	55,118
Other Asia	38,114	-	-	38,114
Australia	1,176	50,189	-	51,365
Europe – Euro	41,282	4,418	(14,191)	31,509
Europe – Other	7,441	-	-	7,441
North America	70,550	11,224	(53,968)	27,806
South America	233	-	-	233
South Africa	1,265	-	-	1,265
Total	212,851	76,472	(76,472)	212,851

2006	Physical	Bought	Sold	Net Exposure
	2006	2006	2006	2006
	\$'000	\$'000	\$'000	\$'000
Japan	62,011	8,361	-	70,372
Other Asia	27,197	-	-	27,197
Australia	2,142	67,857	(1,700)	68,299
Europe – Euro	50,808	-	(14,007)	36,801
Europe – Other	12,875	-	(1,874)	11,001
North America	66,567	1,772	(60,409)	7,930
South America	172	-	-	172
South Africa	1,844	-	-	1,844
Total	223,616	77,990	(77,990)	223,616

The above table categorises the investments in the Portfolio into the geographic region of their operations.

Forward foreign currency contracts and options on forward currency contracts are adjusted against the "physical" column to arrive at a net exposure to each currency grouping.

The Company generally utilises short dated (90 day maturities) currency agreements with high credit rated counterparties.

The existing forward currency contract positions' maturity dates range from 15 days to 75 days.

(c) Interest Rate Exposure

The Company had no fixed interest investments or derivatives thereon at balance date.

Refer to note 9(a) for information on short term interest rates.

13. Franking Account

	2007	2006
	\$'000	\$'000
Opening balance based on tax paid and franking credits attached to dividends paid - converted at 30%	27,377	25,281
On tax paid and payable:		
2005/2006	-	9,767
2006/2007	3,378	-
Prior year tax provision - franking adjustment	(35)	7
Credits on franked dividends received	-	-
Dividend paid - franked @ 30%	(7,850)	(7,678)
	22,870	27,377

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2007

14. Dividends (fully franked)

	2007 cps	2007 \$'000	2006 cps	2006 \$'000
Paid - Interim fully franked @ 30%	5.00	6,156	5.00	6,032
Paid - Final fully franked @ 30%	10.00	12,160	10.00	11,882
	<u>15.00</u>	<u>18,316</u>	<u>15.00</u>	<u>17,914</u>

Dividends not recognised at year-end

	2007 \$'000	2006 \$'000
	<u>12,400</u>	<u>12,160</u>

In addition to the above dividends, since year-end the Directors have recommended the payment of a final dividend of 10 cents per fully paid Ordinary Share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 14 November 2007 but not recognised as a liability at year-end.

15. Investment Manager

The Investment Manager is Platinum Investment Management Limited (it changed its name from Platinum Asset Management Limited on 20 February 2007). It receives a monthly Management fee for investment services provided in accordance with the Investment Management Agreement. This Agreement provides for a Management fee payable monthly and calculated at 1.5% per annum of the Portfolio Value (which includes cash and deposits).

Effective 31 December 2006, tax on unrealised gains has been removed from the calculation.

A Performance fee is payable at 10% of the amount by which the Portfolio's annual performance exceeds the return achieved by the MSCI plus 5% (MSCI is the Morgan Stanley Capital International All Country World Net Index in A\$). Where the Portfolio's annual performance is less than the MSCI, the amount of the underperformance is aggregated, carried forward and deducted from the annual performance in the subsequent year before calculating any Performance fee for that year. The aggregate of underperformance is carried forward until a Performance fee becomes payable.

The pre-tax performance of the Portfolio for the year to June 2007 was positive 5.16% and the corresponding MSCI's positive 9.67%. This represents an underperformance of 4.51% against the MSCI. Accordingly a Performance fee is not payable.

The Investment Manager is to be paid a lump sum termination fee of 1.5%, calculated on the value of the Portfolio on the first day of the month in which termination is effective. The fee is not payable if the termination results from the default or insolvency of the Investment Manager. Additionally, a Performance fee is payable for the period from the last calculation of the Performance fee (as described above) to the date of termination.

	2007 \$'000	2006 \$'000
Management fee	3,237	3,161
Performance fee	-	-
	<u>3,237</u>	<u>3,161</u>

Amounts paid and payable to the Investment Manager for the year

(a) The Company and the Investment Manager entered into a new Investment Management Agreement on 14 December 2006 (**Agreement**).

The terms of the Agreement require the Investment Manager to:

- (i) invest and manage the Portfolio in accordance with the Agreement;
- (ii) confer with the Board of the Company at regular intervals in respect of the investment and management of the Portfolio;
- (iii) exercise all due diligence and vigilance in carrying out its functions, powers and duties under the Agreement;
- (iv) promptly notify the Board of any instructions given to it by the Company which have not been complied with; and
- (v) appoint Mr Neilson as managing director of the Company.

(b) Each party is to provide three months' notice to terminate the Agreement. The Company, however, may immediately terminate the Agreement where the Investment Manager:

- (i) becomes subject to a receiver, receiver and manager, administrative receiver or similar person;
- (ii) goes into liquidation;
- (iii) ceases to carry on business in relation to its activities as an Investment Manager;
- (iv) breaches a material provision of the Agreement, or fails to observe or perform any representation, warranty or undertaking given by the Investment Manager under the Agreement; or
- (v) sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of the Investment Manager or beneficial interest therein, other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by the Company.

A new Agreement was entered into to (a) codify changes made to the ASX Listing Rules over the past few years and (b) codify the range of services provided by the Investment Manager to the Company.

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2007

16. Contingent Assets, Liabilities and Commitments for Expenditure

No contingent assets or liabilities exist at balance date.

The Company has no commitments for uncalled share capital on investments.

17. Segment Information

The Company operates solely in Australia.

While the Company only operates in Australia (the geographical segment), it has investment exposures in different countries.

The geographical locations of those exposures are outlined below.

	2007 \$'000	2007 \$'000	2006 \$'000	2006 \$'000
	Segment Revenue	Segment Result	Segment Revenue	Segment Result
Japan	(4,956)	(5,021)	19,701	19,560
Other Asia	3,864	3,737	13,790	13,698
Australia	(1,318)	(1,318)	(544)	(544)
Europe – Euro	7,425	7,317	13,731	13,621
Europe – Other	1,171	1,153	1,078	1,032
North America	5,476	5,361	5,974	5,853
South America	-	-	-	-
South Africa	(558)	(558)	983	982
Unallocated Revenue - Net gains/(losses) on forward currency contracts	6,340	6,340	(882)	(882)
Unallocated Expenses	-	(4,444)	-	(4,431)
Total	17,444	12,567	53,831	48,889

	2007 \$'000	2007 \$'000	2006 \$'000	2006 \$'000
	Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities
Japan	55,118	-	70,419	(46)
Other Asia	38,499	(343)	27,352	-
Australia	51,816	(9,464)	68,719	(16,653)
Europe – Euro	31,511	-	36,804	-
Europe – Other	7,441	-	11,001	-
North America	28,151	(310)	7,962	-
South America	233	-	172	-
South Africa	1,265	-	1,844	-
Total	214,034	(10,117)	224,273	(16,699)

18. Events occurring after reporting date

No significant events have occurred since balance date which would impact the Balance Sheet of the Company as at 30 June 2007 and the results for the year ended on that date.

NOTES TO THE FINANCIAL STATEMENTS continued
30 June 2007

19. Related Party Information

Disclosures relating to the management fees paid and payable to Platinum Investment Management Limited, a related party are set out in note 15.

20. The Company

Platinum Capital Limited is a company limited by shares, incorporated and domiciled in New South Wales. Its current registered office and principal place of business is:

Level 8, 7 Macquarie Place
Sydney NSW 2000

A description of the nature of the Company's operations and its principal activities is included in the review of operations and activities in the Directors' Report.

DIRECTORS' DECLARATION

In the Directors' opinion,

- (a) the financial statements and notes set out on pages 12 to 31 are in accordance with the *Corporations Act 2001* including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that Platinum Capital Limited will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 6 to 7 of the Director's Report comply with AASB 124: *Related Party Disclosures* and the *Corporations Regulations 2001*.

This declaration is made in accordance with a resolution of the Directors.

The Directors have been given the declaration by the Managing Director and Finance Director required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Graeme Galt
Director

Kerr Neilson
Director

Sydney
8 August 2007

Independent audit report to the members of Platinum Capital Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Platinum Capital Limited (the Company) for the period ended 30 June 2007 included on Platinum's website. The Directors of Platinum Investment Management Limited, the Manager, are responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the website.

Report on the financial report and AASB 124 Remuneration disclosures contained in the Directors' Report

We have audited the accompanying financial report of Platinum Capital Limited, which comprises the Balance Sheet as at 30 June 2007, the Income Statement, Statement Of Changes In Equity, Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration for Platinum Capital Limited (the Company).

We have also audited the remuneration disclosures contained in the Directors Report. As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of Directors and Executives ("remuneration disclosures"), required by AASB 124: *Related Party Disclosures*, under the heading "Remuneration Report" on pages 6 to 7 of the Directors' Report, and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures are contained in the Directors' 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 controls 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.

The Directors of the Company are also responsible for the remuneration disclosures contained in the Directors' Report.

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.

Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors' Report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' Report. The procedures selected depend on the auditor's judgement, including assessments, of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' 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 and the remuneration disclosures contained in the Directors' 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 Directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' Report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by Directors or management.

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

Independence

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

Auditor's Opinion on the financial report

In our opinion, the financial report of Platinum Capital Limited is in accordance with the *Corporations Act 2001* including

- (a) giving a true and fair view of the Company's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the Directors' Report.

In our opinion the remuneration disclosures that are contained on pages 6 to 7 of the Directors' Report comply with Accounting Standard AASB 124.

**PricewaterhouseCoopers
Chartered Accountants**

A J Loveridge
Partner

Sydney
8 August 2007

Liability is limited by a Scheme approved under Professional Standards Legislation.

DIRECTORY

Directors

Graeme Galt
Peter Clarke
Bruce Coleman
Kerr Neilson
Andrew Clifford
Malcolm Halstead

Secretary

Malcolm Halstead

Investment Manager

Platinum Investment Management Limited

Shareholder Liaison

Liz Norman

Registered Office

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Sydney NSW 2000
Phone 1300 726 700 and (61 2) 9255 7500
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Share Registrars

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Level 3, 60 Carrington Street
Sydney NSW 2000
Phone 1300 855 080 and (61 3) 9415 4000
Fax (61 3) 9473 2118

Auditors and Taxation Advisors

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

Solicitors

Allens Arthur Robinson
Level 28, Deutsche Bank Place
Corner of Hunter and Phillip Streets
Sydney NSW 2000

Securities Exchange Listing

Ordinary Shares listed on the Australian Securities Exchange
ASX Code: **PMC**

Website

<http://www.platinumcapital.com.au>

Platinum Asset Management® does not guarantee
the repayment of capital or the investment
performance of the Company.