

## Appendix 4E

### Preliminary final report

#### Listing Rule 4.3A

<b>Company</b>	<b>Platinum Capital Limited</b>
ASX Code	PMC
Year Ended	30 June 2012
Previous corresponding period - Year Ended	30 June 2011
ABN	51 063 975 431

#### Results for Announcement to the Market

		<b>\$A'000</b>
<b>Total Investment Loss</b>	<b>-32.6%</b>	<b>(10,970)</b>
<b>Loss after income tax attributable to members</b>	<b>-100.0%</b>	<b>(17,546)</b>
<b>Net loss for the period attributable to members</b>	<b>-100.0%</b>	<b>(17,546)</b>

Under Australian Accounting Standards, realised profits and losses are added to or reduced by changes in the market value of the Company's total assets. This can lead to large variations in reported profits from any one year to the next.

In the opinion of your Directors, 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 Limited.

Since its inception in 1994, the compound annual appreciation of the Company's net assets on a pre-tax basis has been 11.1% compared to the return from the MSCI World Index of 3.9%.

The five-year return of the Company's net assets on a pre-tax basis has been negative 1.0% compared to the return from the MSCI World Index of negative 6.3%.

## **Dividends**

On 12 July 2012, the Company announced that there will be no final dividend for the year ended 30 June 2012. This is in addition to the nil interim dividend declared on 12 January 2012.

The Company is in a negative retained earnings position of negative 10.5 cents per share at 30 June 2012 and, as such is unable to pay a dividend. The Company has previously stated that future dividend payments were dependent on future earnings. Whilst the Company's pre-tax net asset value has risen 3.9% over the six months to 30 June 2012, retained earnings have not recovered to positive territory, hence, no dividend can be paid.

A fully franked 1.9 cents per share final dividend for the year ended 30 June 2011 was paid on 1 September 2011.

## **Dividend Reinvestment Plan**

As a consequence of no dividend being paid for the year ended 30 June 2012, the Dividend Reinvestment Plan will not operate.

## **Further information**

- Refer to the attached audited financial statements for financial data on the Company. These are available at [http://www.platinum.com.au/images/pmc\\_612.pdf](http://www.platinum.com.au/images/pmc_612.pdf).
- Refer to the attached Chairman's Report.

P Howard  
Company Secretary  
9 August 2012

# PLATINUM CAPITAL LIMITED

## Chairman's Report 2012

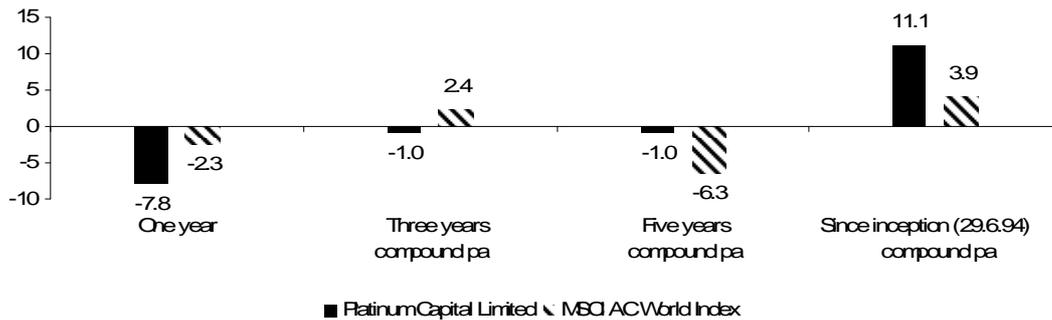
### Investment Performance

International economies have experienced another difficult year and Platinum Capital has not been immune to this macro-economic environment. The benchmark Morgan Stanley Capital International World Index (MSCI) decreased by 2.3% for the year ended 30 June 2012. In comparison, the Company's net asset value decreased by a disappointing 7.8% pre-tax and by 7.7% after allowing for all tax liabilities, both realised and unrealised.

However, taking the longer-term view, our returns and performance have been much more satisfactory. Since its inception in 1994, the compound annual appreciation of the Company's net assets on a pre-tax basis has been 11.1% compared to the return from the MSCI World Index of 3.9%. The comparable return from the Australian All Ordinaries Accumulation Index has been 8.4% annually over the same 18 years.

The long-term and medium-term out-performance of both the World Index and of the Australian Index, demonstrates that the Company can achieve positive returns over time, despite periods of difficult and challenging global markets.

#### Platinum Capital Limited – Pre-Tax Net Asset Value Return versus MSCI\* Index (%)



\* Morgan Stanley Capital International All Country World Net Index

Source: Platinum and MSCI

### Financial Results & Accounting Standards

For the year ended 30 June 2012, the Company made a pre-tax operating loss of negative \$15.3 million and a post-tax operating loss of negative \$17.5 million. This was directly attributable to the slowdown in global share markets and the impact of this on the Company's investment portfolio.

Under Australian Accounting Standards, realised profits and losses are added to or reduced by changes in the market value of the Company's total assets. This can lead to large variations in reported profits from any one year to the next.

In the opinion of your Directors, a more appropriate measure of the Company's results is the change in its net asset value adjusted for dividends.

## **Dividends**

As mentioned above, for the year ended 30 June 2012, the Company recorded a pre- and post-tax operating loss and this loss was directly related to the fall in value of its investment portfolio. Consequently, as previously reported to the ASX, the Company has been unable to pay an interim or final dividend for the year ended 30 June 2012.

## **Remuneration Matters**

At last year's Annual General Meeting (AGM), only 5.7% of total shares on issue voted on the Remuneration Report resolution. Of this small subset of shareholders that voted, greater than 25% of the votes recorded were against the Remuneration Report resolution. This gave the Company its "first strike" and means that the Board could be spilled if there is a "second strike" at this year's AGM.

Whilst the Board will always accept your decision as shareholders, we do not want the implementation of important decisions based on a small number of votes. Accordingly, I take this opportunity to encourage all shareholders to read the 2012 Remuneration Report contained in the attached Financial Report. Platinum Capital remunerates its Investment Manager under an agreement previously approved by shareholders. As a consequence, the Remuneration Report applies to only three employees remunerated by the Company (i.e. the Non-Executive Directors). Total remuneration paid to each of these Non-Executive Directors ranges from \$54,500 to \$59,950 per year. The Company paid no bonuses to any Director or employee.

As a result of the "first strike", the Company has reviewed the remuneration paid to its Non-Executive Directors. There has been no increase in remuneration paid to the Company's Non-Executive Directors since 2003.

Whilst, we regret that no dividend has been paid for the year ended 30 June 2012, we remind shareholders that since inception, the Company has returned 11.1% pre-tax on a compound per annum basis since inception as compared to the return from the MSCI World Index of 3.9% per annum.

## **Capital Management Programme**

Shareholders passed a non-binding resolution on capital management at the AGM of 2010. The resolution recommended implementing a capital management proposal seeking to limit the difference between the Company's share price and its net asset value to a range of -10% (discount) and +15% (premium).

On 19 March 2012, the Company announced a share buy-back as part of the capital management programme approved by shareholders. The buy-back programme started on 2 April 2012, with all shares being acquired through the Australian Securities Exchange. At 9 August 2012, 160,432 shares had been bought back.

The share buy-back programme has been successful in limiting the discount to around 10%.

## **Corporate Governance**

As shareholders would be aware, Platinum Capital's funds are ultimately managed by Platinum Investment Management Limited. As both companies have common executives, and to ensure the affairs of the Company are managed with appropriate corporate governance, shareholders of Platinum Capital have put in place strong representation of independent directors on the Board.

In the past year, the independent directors are again pleased to report they have continued to monitor the performance of the Investment Manager with the full and transparent co-operation of Platinum Asset Management and its management team, and are accordingly confident in the integrity and reporting of the Company's financial results to shareholders.

### **Outlook for 2012-2013**

Global economies are likely to be challenging again in 2012-13, but opportunities will be there for patient investors.

On one hand, most developed countries, particularly in Europe, are burdened with too much debt, while developing nations face challenges of transitioning from export-driven to internal demand-driven economies. After experiencing a long period of upward revisions to earnings, investors will probably experience a period of under-achievement in terms of company's earnings reports.

Conversely, there is cause for optimism in some areas. The market has already built-in a degree of caution in the valuations of companies that face cyclical headwinds. Company balance sheets are generally very strong, unemployment is falling in the world's largest economy, the US, and China continues to grow, albeit at slower than its previous stellar rates.

To quote our Investment Manager, "Our challenge is to manage the portfolio through this uncertain time without allowing fear to drive us to myopic behaviour which would discourage us from owning sound companies which have already been priced for a poor short-term outcome."

### **Finally**

Whilst we have not achieved the results we were hoping for in 2011-12, it was not through the lack of effort, so I wish to express my appreciation of the contribution made by all the people at Platinum over the last year.

Bruce Phillips  
Chairman

# PLATINUM CAPITAL® LIMITED

ABN 51 063 975 431

ANNUAL REPORT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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## SHAREHOLDER INFORMATION

### Substantial Shareholders

The following parties notified the Company that they have a substantial relevant interest in ordinary shares of Platinum Capital Limited as at 6 August 2012:

	Number of Shares	%
Select Asset Management Limited	9,005,120	5.44

### Distribution of Securities

	Class of equity security
(i) Distribution schedule of holdings	Ordinary
1 - 1,000	920
1,001 - 5,000	2,442
5,001 - 10,000	2,131
10,001 - 100,000	3,694
100,001 and over	129
Total number of holders	9,316
(ii) Number of holders of less than a marketable parcel	643
(iii) Percentage held by the 20 largest holders	16.56%

### Twenty Largest Shareholders

The names of the twenty largest holders of each class of listed equity securities as at 6 August 2012 are listed below:

	Number of Shares	%
Cogent Nominees Pty Limited	8,582,269	5.18
Citicorp Nominees Pty Limited	2,737,153	1.65
Bond Street Custodians Limited	1,733,764	1.05
Forsyth Barr Custodians Limited	1,720,180	1.04
K Neilson	1,648,038	0.99
Moya Pty Limited	1,412,005	0.85
UBS Wealth Management Australia Nominees Pty Limited	1,150,559	0.69
Cogent Nominees Pty Limited	1,121,505	0.68
Navigator Australia Limited	1,076,346	0.65
R Ware	893,162	0.54
Questor Financial Services Limited	871,034	0.53
R Thompson	743,147	0.45
Nulis Nominees (Australia) Limited	608,356	0.37
Feboco Investments Pty Limited	553,446	0.33
I T Heffernan Pty Limited	525,000	0.32
HSBC Custody Nominees (Australia) Limited	474,002	0.29
M Hickling & J Hickling	435,424	0.26
R Ireson	391,617	0.24
RBC Dexia Investor Services Australia Nomineres Pty Limited	384,224	0.23
Invia Custodian Pty Limited	370,000	0.22

### 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 present in person or represented by a proxy or representative shall have one vote for every share held by them.

### Company's Commitment to Carbon Neutrality

The Company continues to report that it is carbon neutral (as is the Investment Manager). The Manager has purchased carbon credits to offset the Company's carbon emissions.

### Distribution of Annual Report to Shareholders

The Law allows for an "opt in" regime through which shareholders will receive a printed "hard copy" version of the Annual Report only if they request one. The Directors have decided to only mail out an Annual Report to those shareholders that have "opted in".

### Financial Calendar

Annual General Meeting

22 October 2012

*This date is 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](mailto:invest@platinum.com.au).

## Investment Methodology

Platinum Capital Limited (the "Company") 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. The Company is taxed at source and pays shareholders dividends (usually fully franked) where possible. This feature distinguishes it from managed investment trust products.

The Company delegates the investment function to Platinum Investment Management Limited (trading as Platinum Asset Management) (the Manager). This entity employs an investment team that manages the investments of the Company. These are two discrete legal entities. As a shareholder in the Company, 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 globally whose businesses and growth prospects, it believes, 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, is 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](http://www.platinum.com.au/invest_process.htm)

[www.platinum.com.au/invest\\_diagram.htm](http://www.platinum.com.au/invest_diagram.htm)

## DIRECTORS' REPORT

In respect of the year ended 30 June 2012, the Directors of Platinum Capital Limited (the "Company") submit the following report prepared in accordance with a resolution of the Directors.

### Directors

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

Bruce Phillips	(Chairman and Non-Executive Director)
Bruce Coleman	(Non-Executive Director)
Richard Morath	(Non-Executive Director)
Kerr Neilson	(Managing Director)
Andrew Clifford	(Executive Director)
Philip Howard	(Executive Director and Company 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 loss of the Company for the year was \$17,546,000 (2011: net loss of \$8,773,000) after income tax expense of \$2,282,000 (2011: income tax benefit of \$4,344,000).

### Dividends

On 12 July 2012, the Directors declared a nil final dividend, which meant that no dividend was paid for the year ended 30 June 2012. This was a result of the fact that retained profits were negative \$17,419,000 or negative 10.5 cents per share at 30 June 2012.

A fully franked final dividend of 1.9 cents per share (\$3,134,000) for the year ended 30 June 2011 was paid on 1 September 2011.

### Capital Management

On 19 March 2012, the Company announced a share buy-back programme approved by shareholders. The buy-back programme started on 2 April 2012, with all shares being acquired through the Australian Securities Exchange. At the date of this report, 160,432 shares had been bought-back.

### Review of Operations

The net loss before tax was \$15,264,000 (2011: net loss before tax of \$13,117,000) and net loss after tax of \$17,546,000 (2011: net loss after tax of \$8,773,000). Income tax expense for the year was \$2,282,000 (2011: income tax benefit of \$4,344,000). The non-recognition of a large portion of investment losses as a deferred tax asset is the main reason for the existence of a non-cash accounting income tax expense in 2012. Refer to Note 2(b) of the Notes to the Financial Statements for further details.

### 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 adversely impacted by any particular or significant environmental regulations under a Commonwealth, State or Territory Law.

## DIRECTORS' REPORT (Cont.)

### Auditor

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

### Non-Audit Services

The Directors, in accordance with advice received from the Audit and Risk 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 did not compromise the auditor independence requirements of the *Corporations Act 2001*.

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.

	2012	2011
	\$	\$
Audit services - statutory	94,300	91,156
Taxation services - compliance	41,440	36,208
Taxation services - Foreign tax agent	3,237	3,284
Total	<u>138,977</u>	<u>130,648</u>

### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

### Information on Directors

#### **Bruce Phillips** BSc (Hons)

Chairman since 23 October 2009 and Independent Non-Executive Director since March 2009 and member of the Audit and Risk Committee. (Age 57)

Mr Phillips has over 30 years of technical, financial and managerial experience in the global energy industry. He has worked on projects throughout Australasia, South America, the UK, Southeast Asia and East Africa. He founded AWE Limited in 1997 and was its Managing Director until 2007. He has been a Non-Executive Director of AGL Limited since 2007 and AWE Limited since 2009 and Chairman of AWE Limited since 2010. He was a Non-Executive Director of Sunshine Gas Limited from 2007 to 2008.

#### **Bruce Coleman** BSc, BCom, CA, FFin

Independent Non-Executive Director since April 2004 and member of the Audit and Risk Committee. (Age 62)

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. Mr Coleman is a Non-Executive Director of Platinum Asset Management Limited.

#### **Richard Morath** BA, FIAA, ASIA

Independent Non-Executive Director since March 2009 and Chairman of the Audit and Risk Committee. (Age 63)

Mr Morath has over 37 years experience in the funds management and banking industry. He currently holds several board positions with organisations that operate under the National Australia Group of companies. He is Chairman of Plum, the group vehicle providing member services to the corporate superannuation market and a Director of PFS Nominees, the Plum Trustee, and of MLC Nominees, the trustee for the superannuation business of MLC. He is also a Director of BNZ Life and JANA Investment Advisers Pty Limited. Mr Morath held senior and leadership roles with the Commercial Banking Company of Sydney and State Bank of NSW. He has worked as Managing Director of Australian Bank in the 1980s, and was CEO of MLC Retail Funds and CEO of MLC's corporate funds business in the 1990s. Before retiring in December 2001, Mr Morath worked with Lend Lease Corporation as Group Executive and was responsible for relations with media, analysts, shareholders and government.

#### **Kerr Neilson** BCom, ASIP

Managing Director for 18 years. (Age 62)

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)

Director for 18 years. (Age 46)

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.

## DIRECTORS' REPORT (Cont.)

### Philip Howard BCom, CA

Finance Director and Company Secretary since March 2011. (Age 51)

He is a Director of Platinum Investment Management Limited, the Company's Investment Manager and a Director of Platinum Asset Management Limited. Mr Howard was Platinum's Chief Operating Officer since his appointment to that role in September 2001. Mr Howard is a Chartered Accountant with over 25 years experience in the financial services industry. Prior to Platinum, Mr Howard has held senior roles in finance, operations and management with State Street Australia, Bankers Trust Australia and Price Waterhouse, Sydney.

### 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 2012.

Name	Board Meetings		Audit and Risk Committee Meetings	
	Held while a Director	Attended	Held while a member	Attended
Bruce Phillips	5	5	4	4
Bruce Coleman	5	5	4	4
Richard Morath	5	5	4	4
Kerr Neilson	5	5	-	-
Andrew Clifford	5	5	-	-
Philip Howard	5	5	-	-

### Remuneration Report (audited)

#### Executive Summary

- There are only three employees remunerated by the Company (the Non-Executive Directors).
- There has been no increase in remuneration (including no bonuses) paid to the Non-Executive Directors, since 2003.
- The Executive Directors are not employed or paid by the Company. They are employed by Platinum Investment Management Limited, whose services are governed by the Investment Management Agreement with the Company.

#### Introduction

The Directors of Platinum Capital Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the year ended 30 June 2012.

The information provided in this Remuneration Report has been audited by the Company's auditor, PricewaterhouseCoopers, as required by section 308 (3C) of the *Corporations Act 2001*.

#### Key management personnel ("KMP")

For the purposes of this report, the KMP of the Company in office during the financial year were:

Name	Position
Bruce Phillips	Chairman and Non-Executive Director
Bruce Coleman	Non-Executive Director
Richard Morath	Non-Executive Director
Kerr Neilson	Managing Director
Andrew Clifford	Executive Director
Philip Howard	Executive Director and Company Secretary

Other than those disclosed above, there are no employees within the Company.

#### Shareholders' Approval of the 2011 Remuneration Report

Following the introduction of the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011*, a 25% or higher "no" vote on the remuneration report at an AGM triggers a reporting obligation on a listed company to explain in its next Annual Report how concerns are being addressed.

At the last AGM, only 5.7% of total shares on issue voted on the remuneration report resolution. Of this small subset, the Company received a "no" vote of 35.29%, but this represented only 2% of total shares on issue.

Despite this very low "no" vote in the context of total shares on issue, the Company took the proactive step of writing to 43 shareholders that voted "no" to canvass their reasons for doing so. The sample targeted investors that held the most shares.

## DIRECTORS' REPORT (Cont.)

A summary of these reasons and our responses are summarised below:

### Reason 1:

*Desire to punish the Board for not maintaining shareholder value, because profits, Net Asset Value (NAV), share price and now dividends have fallen.*

### Our response:

The Company's earnings, NAV, share price and ability to pay a dividend are all directly impacted by the current slowdown in global markets.

Since the Company's inception in 1994 to 30 June 2012, the Company's net assets appreciated 11.1% on a pre-tax basis, compared to the return from the MSCI of 3.9%. Over the six months to 30 June 2012, the Company's pre-tax net assets appreciated 3.9%, however this increase has not been sufficient for retained earnings to return to positive territory.

### Reason 2:

*Directors' remuneration has increased.*

### Our response:

This is factually incorrect. There has been no increase in remuneration paid by the Company to any of its Directors since 2003, despite several years of good performance during that time.

Remuneration paid to Non-Executive Directors is between \$54,500 and \$59,950 each.

The Directors are paid a base salary and are not paid bonuses.

### Reason 3:

*Directors are overpaid given there are only four to five Board meetings per year.*

### Our response:

Remuneration paid by the Company to its Directors is mid-range when compared to the majority of their peers within the industry.

The remuneration paid covers attendance at both Board Meetings and Audit and Risk Committee meetings, as well as keeping abreast of Company-specific and industry developments.

The remuneration reflects the experience and expertise that the Directors bring to the Company and the Directors need to be compensated for time spent in carrying out their responsibilities.

### **Non-Executive Director Remuneration**

The Constitution of the Company requires approval by shareholders at a general meeting of a maximum amount of remuneration to be paid to Non-Executive Directors.

The aggregate amount of remuneration that can be paid to the Non-Executive Directors, which was approved by shareholders at the 2005 Annual General Meeting, is \$350,000 per annum (including superannuation). Despite the approval of shareholders to increase Non-Executive Directors remuneration up to \$350,000 per annum, only \$168,950 in aggregate was paid in 2012.

The Executive Directors determine the remuneration of the Non-Executive Directors within the maximum approved shareholder limit. The Non-Executive Directors are not entitled to any other remuneration.

### **Principles, Policy and Components of Non-Executive Director's Remuneration**

Remuneration paid to the Non-Executive Directors is designed to ensure that the Company can attract and retain suitably qualified and experienced directors.

It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Non-Executive Directors.

Non-Executive Directors received a fixed fee and mandatory superannuation.

Non-Executive Directors do not receive performance-based or earnings-based remuneration and are not eligible to participate in any equity-based incentive plans.

The Executive Directors examine the base pay of the Non-Executive Directors annually and may utilise the services of an external advisor.

No other retirement benefits (other than mandatory superannuation) are provided to the Non-Executive Directors.

There are no termination payments payable on the cessation of office and any Director may retire or resign from the Board, or be removed by a resolution of shareholders.

## DIRECTORS' REPORT (Cont.)

### Remuneration for Non-Executive Directors

The table below presents actual amounts received by the Non-Executive Directors.

Name	Cash Salary \$	Superannuation \$	Short-term incentives \$	Long-term incentives \$	Total \$
Bruce Phillips					
FY 2012	55,000	4,950	-	-	59,950
FY 2011	55,000	4,950	-	-	59,950
Bruce Coleman					
FY 2012	50,000	4,500	-	-	54,500
FY 2011	50,000	4,500	-	-	54,500
Richard Morath					
FY 2012	50,000	4,500	-	-	54,500
FY 2011	50,000	4,500	-	-	54,500
<b>Total Non-Executive remuneration</b>					
FY 2012	155,000	13,950	-	-	168,950
FY 2011	155,000	13,950	-	-	168,950

### Executive Director Remuneration

The Executive Directors (Kerr Neilson, Andrew Clifford and Philip Howard) are employees of the Investment Manager, Platinum Investment Management Limited. The responsibilities that each of the Executive (and Non-Executive) Directors performs are outlined in the Corporate Governance Statement on page 11.

The Executive Directors continue to waive their right to any fee and as a result the Company does not pay the Executive Directors any remuneration. The Company has never paid any remuneration to the Executive Directors and this waiver is consistent with the practice adopted in the past.

### Employment Arrangements of KMP

The key aspects of the KMP contracts are as follows:

- Remuneration and other terms of employment for Non-Executive Directors are formalised in service agreements.
- All contracts with Directors include the components of remuneration that are to be paid to KMP and provide for annual review, but do not prescribe how remuneration levels are to be modified from year to year.
- Each contract is for an unlimited duration. The tenure of all Directors is subject to approval by shareholders at every third AGM or other general meeting convened for the purposes of election of Directors.
- In the event of termination, all KMP are only entitled to receive their statutory entitlements.

### Link between Company performance and remuneration paid

	2012	2011	2010 (1)	2009 (1)	2008
Total net investment income/(loss) (\$'000)	(10,970)	(8,271)	28,593	39,459	(29,766)
Expenses (\$'000)	4,294	4,846	5,126	9,730	4,514
Profit/(loss) after tax (\$'000)	(17,546)	(8,773)	17,235	20,567	(23,861)
Earnings per share (cents per share)	(10.59)	(5.35)	11.16	14.74	(19)
Dividends (cents per share)	-	5.9	10.0	10.0	10.0
Net asset value (post-tax) (30 June) (\$ per share)	1.07	1.19	1.35	1.33	1.29
Closing share price (30 June) (\$)	0.97	1.16	1.42	1.46	1.23
Total fixed remuneration (salary and superannuation) paid (\$)	168,950	168,950	200,071	182,092	168,950

(1) Differences in total Directors' remuneration above \$168,950 were caused by transitional Director movements, which raised the number of Non-Executive Directors above the core of three, temporarily in parts of these years.

## DIRECTORS' REPORT (Cont.)

### Interests of Non-Executive and Executive Directors in shares

The number of Ordinary Shares in the Company that the Directors have a relevant interest at balance date is as follows:

Name	Balance at 1/07/2011	Acquisitions	Disposals	Balance at 30/06/2012
Bruce Phillips	139,985	290,000	-	429,985
Bruce Coleman	200,000	-	-	200,000
Richard Morath	20,000	7,000	-	27,000
Kerr Neilson	1,648,039	-	-	1,648,039
Andrew Clifford	1,412,006	-	-	1,412,006
Philip Howard	-	-	-	-

### Directors' Interests in Contracts

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

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

**Bruce Phillips**  
Chairman

**Kerr Neilson**  
Director

Sydney  
9 August 2012



## **Auditor's Independence Declaration**

As lead auditor for the audit of Platinum Capital Limited for the year ended 30 June 2012, 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 Wilson  
Partner  
PricewaterhouseCoopers

9 August 2012

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Liability limited by a scheme approved under Professional Standards Legislation.

## CORPORATE GOVERNANCE STATEMENT

### Introduction

Platinum Capital Limited ABN 51 063 975 431 (the "Company") is a listed investment company 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 and Administrator, Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 trading as Platinum Asset Management.

The Company has no employees other than its Non-Executive Directors. It has no premises, plant & equipment or other physical assets. The Company's investment activities are undertaken by Platinum Asset Management, in accordance with an Investment Management Agreement. The Company's day-to-day affairs are managed by Platinum Asset Management, in accordance with an Administrative Services 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 with 2010 Amendments* ("Governance Principles"), except where indicated.

Company policies, charters and codes referred to in this Statement are provided on the Company's website at [http://www.platinum.com.au/corporate\\_governance.htm](http://www.platinum.com.au/corporate_governance.htm).

### Principle 1: Lay solid foundations for management and oversight

#### RECOMMENDATION 1.1 - Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

##### Role of the Board

The Board has adopted a Charter that details the functions and responsibilities of the Board.

The role of the Board is to promote the long-term health and prosperity of the Company.

##### Responsibilities of the Board

The principal responsibilities of the Board include:

- monitoring the financial position and performance of the Company;
- ensuring the appointed Investment Manager and Administrator is performing its duties in a skilful and diligent manner, employs qualified and experienced staff and operates appropriate risk monitoring and compliance procedures;
- overseeing and monitoring Platinum Asset Management's compliance with the terms of the Investment Management Agreement and Administrative Services Agreement;
- ensuring the Company operates in compliance with its regulatory environment and good corporate governance practices are adopted;
- identifying the principal risks faced by the Company and ensuring that appropriate control and monitoring systems are in place to manage the impact of these risks;
- overseeing the integrity of the financial accounts and reporting;
- overseeing communications and reporting to shareholders;
- appointing the Chair and Board Committee members; and
- setting the charters of the delegated Committees of the Board.

#### RECOMMENDATION 1.2 - Companies should disclose the process for evaluating the performance of senior executives.

As the Company has no senior executives other than the Executive Directors of the Board and the Executive Directors are not remunerated by the Company, it is considered appropriate that their performance be assessed as part of the collective review outlined under Recommendation 2.5.

### Principle 2: Structure the Board to add value

#### RECOMMENDATION 2.1 - A majority of the board should be independent directors.

##### Structure of the Board

The Board currently comprises six Directors: three Non-Executive Directors and three Executive Directors (including the Managing Director).

Non-Executive Directors: Bruce Phillips (Chair), Bruce Coleman, Richard Morath.

Executive Directors: Kerr Neilson (Managing Director), Andrew Clifford and Philip Howard.

The Board considers that equal representation is appropriate for the Company, given its size and purpose. The Non-Executive Chair has a casting vote where votes are tied.

Details of the background, experience and professional skills of each Director are set out in the Directors' Report on pages 5 to 6.

## CORPORATE GOVERNANCE STATEMENT continued

### Director Independence

All the current Non-Executive Directors of the Company have been assessed as independent. An independent Director is a Non-Executive Director that the Board considers to be independent of Management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of unfettered and independent judgement.

The Board regularly assesses the independence of each Director by taking into account the factors outlined below:

- the specific disclosures made by each Director as referred to below;
- where applicable, the related party dealings referable to each Director, noting whether those dealings are material under accounting standards;
- whether a Director is, or is associated directly with, a substantial shareholder of the Company;
- whether the Director has ever been employed by the Company or any of its subsidiaries;
- whether the Director is, or is associated with, a supplier, professional adviser, consultant to or customer of the Company, which is material under accounting standards; and
- whether the Director personally carries on any role for the Company other than as a Director of the Company.

The Board also has regard to the matters set out in the Governance Principles. The Board does not consider that term of service on the Board should be considered as a factor affecting a Director's ability to act in the best interests of the Company.

Directors must disclose any material personal or family contract or relationship in accordance with the *Corporations Act 2001*. Directors also adhere to constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the *Corporations Act 2001* and the Company's policies.

Each Director may from time to time have personal dealings with the Company. Some Directors are involved with other companies or professional firms that may from time to time have dealings with the Company.

Details of offices held by Directors with other organisations are set out in the Directors' Report on pages 5 to 6. Full details of related party dealings are set out in notes to the Company's accounts as required by law.

If a Director's independent status changes, this will be disclosed and explained to the market in a timely manner and in consideration of the Company's Communications Plan.

### Materiality

The Board determines 'materiality' on both a quantitative and qualitative basis. An item that either affects the Company's net assets by approximately 5% or affects the Company's distributable income in a forecast period by more than approximately 5% of the Company's net profit before tax is likely to be material. However, these quantitative measures must be supplemented with a qualitative examination. The facts (at the time) and the context in which the item arises will influence the determination of materiality.

### Access to Information and Independent Advice

All Directors have unrestricted access to Company records and information.

The Investment Manager and Administrator provides regular information and reports to the Board (as requested).

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.

### RECOMMENDATION 2.2 - The chair should be an independent director.

The Chair of the Board is an independent Director.

The Chair is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's functioning. The Chair facilitates the effective contribution of all Directors and promotes constructive and respectful relations between Directors and between the Board and Management.

### RECOMMENDATION 2.3 - The roles of chair and chief executive officer should not be exercised by the same individual.

The roles of Chair and Managing Director (Chief Executive Officer) are not exercised by the same individual.

The Managing Director is responsible for ensuring the terms of the Investment Management Agreement and Administrative Services Agreement are fulfilled by Platinum Asset Management.

### RECOMMENDATION 2.4 - The board should establish a nomination committee.

Given the size and purpose of the Company, the Board considers a nomination committee is not warranted. The full Board considers the issues that would otherwise be a function of a nomination committee.

The Board's policy is that the Board needs to have an appropriate mix of skills, experience, expertise and diversity (including gender diversity).

## CORPORATE GOVERNANCE STATEMENT continued

When evaluating, selecting and appointing Directors, the Board considers:

- the candidate's competencies, qualifications and expertise, addition to diversity of the Board 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 or equal balance on the Board; and
- requirements of the *Corporations Act 2001*, ASX Listing Rules, the Company's Constitution and Board 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.

Under the terms of the Company's Constitution:

- an election of Directors must be held at each Annual General Meeting and at least one Director (but not the Managing Director) must retire from office; and
- each Director (but not the Managing Director) must retire from office at the third Annual General Meeting following his/her last election.

Where eligible, a Director may stand for re-election.

### **RECOMMENDATION 2.5 - Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.**

The Board of Directors' Charter requires:

- the Board to review its performance (at least annually) against previously agreed measurable and qualitative indicators;
- the Chair of the Board to review each Director's performance;
- a nominated Director to review the Chair's performance; and
- the Board to undertake a formal annual review of its overall effectiveness, including its Committee.

The Board reviews its performance in terms of Company objectives, Company results and achievements of the Investment Manager and Administrator. The Board ensures each Director has the necessary skills, experience and expertise, and the mix remains appropriate for the Board to function effectively. As a result of these performance reviews, the Board may implement changes to improve the effectiveness of the Board and corporate governance structures. Independent professional advice may be sought as part of this process.

The Board undertook a review of its performance and that of its Committee during the year.

### **Principle 3: Promote ethical and responsible decision-making**

#### **RECOMMENDATION 3.1 - Companies should establish a code of conduct and disclose the code or a summary of the code as to:**

- **The practices necessary to maintain confidence in the company's integrity;**
- **The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and**
- **The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

#### **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.

#### **Business Rules of Conduct**

The Investment Manager and Administrator, Platinum Asset Management, has established Business Rules of Conduct 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.

All new employees of the Investment Manager and Administrator receive induction training in relation to the Business Rules of Conduct and are asked to sign an annual declaration confirming their ongoing compliance.

Compliance is monitored by the Compliance team of the Investment Manager and Administrator.

#### **RECOMMENDATION 3.2 - Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.**

The Company's approach to business promotes a culture of equal opportunity and has the core principles of meritocracy based on ability, fairness and equality. The Company does not discriminate on gender, race, religion or cultural grounds.

As the Company has no full time employees and given the size of the Board, a diversity policy has not been established under Recommendations 3.2 - 3.4. The Board's composition is reviewed on an annual basis. In the event a vacancy exists, the Board will include diversity in its nomination process.

## CORPORATE GOVERNANCE STATEMENT continued

**RECOMMENDATION 3.3 - Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with diversity policy and progress towards achieving them.**

Refer to recommendation 3.2.

**RECOMMENDATION 3.4 - Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.**

The Company has no full-time employees. There are no women on the Board.

**RECOMMENDATION 3.5 - Companies should provide the information indicated in the Guide to reporting on Principle 3.**

The Directors' Code of Conduct and other corporate governance items are posted on the Company's website at [http://www.platinum.com.au/corporate\\_governance.htm](http://www.platinum.com.au/corporate_governance.htm)

Departures from Recommendation 3.2, 3.3 and 3.4 are explained within their respective sections.

### Principle 4: Safeguard integrity in financial reporting

**RECOMMENDATION 4.1 - The Board should establish an audit committee.**

#### Audit and Risk Committee

The Board has established an Audit and Risk Committee. The purpose of the Audit and Risk 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);
- review and monitor risks and the implementation of mitigation measures for those risks as appropriate;
- assess and recommend to the Board the appointment of external auditors and 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.

#### Company Auditor

The policy of the Board is to appoint an Auditor that clearly demonstrates competence and independence.

The performance of the 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 was appointed as the Auditor 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 Auditor, including a breakdown of fees for non-audit services, is provided in the Directors' Report. It is the policy of the Auditor to provide an annual declaration of its independence to the Audit and Risk Committee.

The Auditor is required to attend the Company's Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

**RECOMMENDATION 4.2 - The audit committee should be structured so that it:**

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the board; and has at least three members.

The Audit and Risk Committee has three members: Richard Morath (Chair), Bruce Coleman and Bruce Phillips.

All members of the Audit and Risk Committee are independent Non-Executive Directors.

Attendance record at Audit and Risk Committee meetings is provided in the Directors' Report on page 6.

**RECOMMENDATION 4.3 - The audit committee should have a formal charter.**

The Audit and Risk Committee operates under an approved charter.

The Audit and Risk Committee has authority (within the scope of its responsibilities) to seek any information it requires from any employee of the Investment Manager and Administrator or external party. Members may also meet with auditors (internal and/or external) without Management present and consult independent experts, where the Audit and Risk Committee considers it necessary to carry out its duties.

## CORPORATE GOVERNANCE STATEMENT continued

All matters determined by the Audit and Risk Committee are submitted to the full Board as recommendations for Board decisions. Minutes of an Audit and Risk Committee meeting are tabled at a subsequent Board meeting. Additional requirements for specific reporting by the Audit and Risk Committee to the Board are addressed in the Charter.

### Principle 5: Make timely and balanced disclosure

**RECOMMENDATION 5.1 - Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.**

The Company has a Continuous Disclosure Policy.

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 2001*; 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 shareholders and ensuring that any notifications/reports to the ASX are promptly posted on the Company's website.

### Principle 6: Respect the rights of shareholders

**RECOMMENDATION 6.1 - Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.**

The Board has adopted a Communications Plan that 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, Annual General Meeting, Half-Yearly Report, Quarterly Investment Report and monthly notices to the ASX.

The Company Secretary oversees and coordinates the distribution of all information by the Company to the ASX, shareholders, the media and the public.

All shareholders have the opportunity to attend the Annual General Meeting and ask questions of the Board.

### Principle 7: Recognise and manage risk

**RECOMMENDATION 7.1 - Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.**

The Board, through the Audit and Risk Committee, is responsible for ensuring that:

- there are adequate policies for the oversight and management of material business risks to the Company;
- there are effective systems in place to identify, assess, monitor and manage the risks of the Company and to identify material changes to the Company's risk profile; and
- arrangements are adequate for monitoring compliance with laws and regulations applicable to the Company.

The Investment Manager and Administrator, Platinum Asset Management, has implemented risk management and compliance frameworks based on ISO 31000:2009 *Risk Management - Principles and Guidelines* and AS 3806-2006 *Compliance Programs*. These frameworks (together with the firm's internal audit function) ensure that:

- emphasis is placed on maintaining a strong control environment;
- accountability and delegations of authority are clearly identified;
- risk profiles are in place and regularly reviewed and updated;
- timely and accurate reporting is provided to Management and respective Committees; and
- compliance with the law, contractual obligations and internal policies (including business rules of conduct) is communicated and demonstrated.

**RECOMMENDATION 7.2 - The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.**

The Investment Manager and Administrator reports periodically to the Audit and Risk Committee on the effectiveness of its risk management and compliance frameworks with respect to services undertaken for the Company.

The Executive Directors have reported to the Board as to the effectiveness of the Company's management of its material business risks.

## CORPORATE GOVERNANCE STATEMENT continued

**RECOMMENDATION 7.3 - The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.**

In respect of the year ended 30 June 2012, 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 that 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.

### **Principle 8: Remunerate fairly and responsibly**

**RECOMMENDATION 8.1 - The board should establish a remuneration committee.**

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 warranted. The full Board considers the issues that would otherwise be a function of a remuneration committee.

**RECOMMENDATION 8.2 – The remuneration committee should be structured so that it:**

- **consists of a majority of independent directors**
- **is chaired by an independent chair**
- **has at least three members.**

Not applicable – refer Recommendation 8.1

**RECOMMENDATION 8.3 - Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.**

#### ***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 is provided in the Remuneration Report set out in the Directors' Report on pages 6 to 8.

#### ***Remuneration Paid***

Remuneration paid to the Non-Executive Directors for the 2011/2012 reporting year is set out in the Directors' Report on page 8.

**STATEMENT OF COMPREHENSIVE INCOME**

For the Year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Investment income</b>			
Dividends		5,744	4,104
Interest		22	65
Net (losses) on equities/derivatives		(15,454)	(16,880)
Net gains/(losses) on forward currency contracts		(1,352)	8,262
Net foreign exchange gains/(losses) on overseas bank accounts		70	(3,822)
<b>Total net investment income/(loss)</b>		<b>(10,970)</b>	<b>(8,271)</b>
<b>Expenses</b>			
Management fee	15	2,719	3,096
Custody		163	185
Share registry		122	209
Directors' fees		169	169
Continuous reporting disclosure		181	189
Auditor's remuneration			
- Auditing and review (\$94,300, 2011: \$91,156)		94	91
- Taxation services (\$44,677, 2011: \$39,492)		45	39
Transaction costs		204	203
Withholding tax on foreign dividends		414	464
Other expenses		183	201
<b>Total expenses</b>		<b>4,294</b>	<b>4,846</b>
<b>Profit/(loss) before income tax</b>		<b>(15,264)</b>	<b>(13,117)</b>
Income tax expense/(benefit)	2(a)	2,282	(4,344)
<b>Profit/(loss) after income tax</b>		<b>(17,546)</b>	<b>(8,773)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>	8	<b>(17,546)</b>	<b>(8,773)</b>
<b>Basic earnings per share (cents per share)</b>	7	<b>(10.59)</b>	<b>(5.35)</b>
<b>Diluted earnings per share (cents per share)</b>	7	<b>(10.59)</b>	<b>(5.35)</b>

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

**BALANCE SHEET**

As at 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Assets</b>			
Cash and cash equivalents	9(a)	19,642	20,204
Financial assets at fair value through profit or loss	3	160,354	179,111
Income tax receivable		435	-
Receivables	4	388	604
Deferred tax assets	2(b)	3,052	4,944
<b>Total assets</b>		<b>183,871</b>	<b>204,863</b>
<b>Liabilities</b>			
Payables	5	493	3,106
Financial liabilities at fair value through profit or loss	3	2,739	1,479
Deferred tax liabilities	2(c)	1,522	1,132
<b>Total liabilities</b>		<b>4,754</b>	<b>5,717</b>
<b>Net assets</b>		<b>179,117</b>	<b>199,146</b>
<b>Equity</b>			
Contributed equity	6	196,536	195,885
Retained profits	8	(17,419)	3,261
<b>Total equity</b>		<b>179,117</b>	<b>199,146</b>

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

**STATEMENT OF CHANGES IN EQUITY**

For the Year ended 30 June 2012

	Note	Contributed Equity \$'000	Retained Profits \$'000	Total \$'000
<b>Balance at 30 June 2010</b>		<b>192,232</b>	<b>26,696</b>	<b>218,928</b>
<b>Total comprehensive income/(loss) for the year</b>		-	(8,773)	(8,773)
Transactions with equity holders in their capacity as equity owners:				
Contributions of equity, net of transactions costs:		3,653	-	3,653
Buy-back of shares under the capital management programme		-	-	-
Dividends paid	13	-	(14,662)	(14,662)
<b>Balance at 30 June 2011</b>		<b>195,885</b>	<b>3,261</b>	<b>199,146</b>
<b>Total comprehensive income/(loss) for the year</b>		-	(17,546)	(17,546)
Transactions with equity holders in their capacity as equity owners:				
Contributions of equity, net of transactions costs:		770	-	770
Buy-back of shares under the capital management programme		(119)	-	(119)
Dividends paid	13	-	(3,134)	(3,134)
<b>Balance at 30 June 2012</b>		<b>196,536</b>	<b>(17,419)</b>	<b>179,117</b>

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

**STATEMENT OF CASH FLOWS**

For the Year ended 30 June 2012

	Note	2012 \$'000 Inflows (Outflows)	2011 \$'000 Inflows (Outflows)
<b>Cash flows from operating activities</b>			
Dividends received		6,053	3,934
Interest received		24	64
Cost of purchases of financial assets		(101,735)	(129,465)
Proceeds from sale of financial assets		101,356	140,579
Management fees paid		(2,741)	(3,127)
Other expenses		(1,503)	(1,787)
Income tax paid		(435)	(412)
<b>Net cash from operating activities</b>	9(b)	<u>1,019</u>	<u>9,786</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		770	3,653
Purchase of shares under the share buy-back programme		(119)	-
Dividends paid		(3,191)	(14,685)
<b>Net cash from financing activities</b>		<u>(2,540)</u>	<u>(11,032)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(1,521)</u>	<u>(1,246)</u>
Cash and cash equivalents held at the beginning of the financial year		20,204	24,630
Effects of exchange rate changes on cash and cash equivalents		959	(3,180)
<b>Cash and cash equivalents held at the end of the financial year</b>	9(a)	<u><b>19,642</b></u>	<u><b>20,204</b></u>

*The Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The financial report was authorised for issue by the Directors of the Company on 9 August 2012.  
The Directors have the power to amend the financial report after issue.

#### (a) Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The Company is a for-profit entity for the purpose of preparing the financial statements.

The financial statements have been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The Balance Sheet is presented on a liquidity basis. Specifically, assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current assets and liabilities. The majority of receivables and payables are expected to be recovered or settled within 12 months, whereas tax and investment balances may be recovered after 12 months.

#### Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Company also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

#### (b) Income Tax

The income tax expense or benefit 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. The Company exercises judgement in determining the extent of recognition of deferred tax assets in relation to current period realised and/or unrealised tax losses and whether future realised taxable profits are expected to be sufficient to allow recovery of these losses. At 30 June 2012, the Company is satisfied that there will be sufficient future realised taxable profits to justify recognising its realised losses and a portion of its unrealised losses on financial assets as a deferred tax asset after careful analysis of the stocks currently held within its portfolio and an assessment of the Company's past earnings history. Please refer to Note 2(b) for further details.

#### (c) Financial Assets and Liabilities at Fair Value through Profit or Loss

Under AASB 139, marketable equity securities are classified in the Balance Sheet as "financial assets at fair value through profit or loss". These include financial assets that have quoted prices in active markets and can be reliably measured.

This designation is consistent with Platinum Asset Management's general stock selection policy of selecting investments that are liquid and actively traded. These investments are initially recognised at fair value, excluding transaction costs, which are expensed as incurred. Investments are valued based on quoted "bid" prices on long securities. Gains and losses arising from changes in the fair value of the financial assets are included in the Statement of Comprehensive Income in the period they arise.

In accordance with Australian Accounting Standards, derivative financial instruments are categorised as "financial assets/liabilities held for trading" and are accounted for at fair value with changes to such values recognised through the Statement of Comprehensive Income in the period they arise. Derivative financial instruments are valued based on quoted "bid" prices for long equity swaps and long futures. Short equity swaps and short futures are valued based on quoted "ask" prices. Gains and losses arising from changes in the fair value of the financial assets/liabilities are included in the Statement of Comprehensive Income in the period they arise.

Forward currency contracts are categorised as "financial assets/liabilities held for trading" and are initially recognised at fair value on the date contracts are entered into and are subsequently remeasured at each reporting date. The fair value is the unrealised profit or loss on the foreign currency position (in Australian dollars).

#### *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at reporting date without any deduction for estimated future selling costs. Long securities, long equity swaps and long futures are priced at "bid" prices, while short equity swaps and short futures are priced at "ask" prices.

#### *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

#### *Recognition/derecognition*

The Company recognises financial assets and liabilities on the date they become party to the purchase contractual agreement (trade date) and recognises changes in fair value of the financial assets and liabilities from this date.

Financial assets and liabilities are no longer recognised on the date they become party to the sale contractual agreement (trade date).

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (d) Transaction Costs

Initial measurement (cost) on purchase of trading securities shall not include directly attributable transaction costs, such as fees and commissions paid to agents. Incremental transaction costs on purchases of financial assets at fair value through profit or loss are expensed immediately.

#### (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 the closing exchange rates prevailing at balance date. Resulting exchange rate differences are brought to account in determining profit and loss for the year.

#### (f) Investment Income

##### Interest income

Interest income is recognised in the Statement of Comprehensive Income based on nominated interest rates available on the bank accounts held at various locations throughout the world.

##### 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 fee 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 are determined by dividing the profit or loss 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 Statement of Cash Flows, cash includes deposits at call with financial institutions, cash held in margin accounts and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Margin accounts comprise cash held as collateral for derivative transactions.

Payments and receipts relating to the purchase and sale of financial assets are classified as "cash flows from operating activities" as realised and unrealised gains (and losses) on financial assets represent the Company's main operating activity.

#### (j) Due to/from brokers for unsettled trades

Amounts due to/from brokers represent payables for securities purchased and receivables for securities sold that have been contracted for, but not yet delivered by the reporting date. Trades are recorded on trade date. Proceeds on sale of investments are usually received between two and five days after trade date. Payables on purchase of investments are usually paid between two and five days after trade date.

#### (k) Receivables

All receivables are recognised when a right to receive payment is established. Debts that are known to be uncollectible are written off.

#### (l) Payables

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

#### (m) Contributed Equity

Ordinary shares are classified as equity.

#### (n) Dividends

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

#### (o) Segment reporting

Under AASB 8: *Operating Segments*, the Company is considered to have a single operating segment. However, the standard requires certain entity-wide disclosures. Refer to Note 17 for further information.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (p) 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.

#### (q) Goods and Services Tax (GST)

Revenue, expenses, receivables and payables are recognised net of the amount of any 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.

#### (r) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9: *Financial Instruments* and AASB 2009-11: *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective for annual reporting periods beginning on or after 1 January 2015).

AASB 9: *Financial Instruments* provides revised guidance on the classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements of AASB 139 in respect of financial assets. The standard contains two primary measurement categories of financial assets: amortised cost and fair value. The standard eliminates the existing AASB 139 categories of held to maturity, available for sale and loans and receivables. Equity instruments will be measured at fair value with fair value changes in traded equity investments taken to the profit or loss. The standard would not have a significant impact on the Company as its equities and derivatives are already recognised at fair value. The Company will apply the revised standard from 1 July 2015.

(ii) AASB 13: *Fair Value Measurement* and AASB 2011-8: *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013).

AASB 13 explains ways to measure fair value and aims to enhance fair value disclosures. The Company has yet to determine if any of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the precise impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Company does not intend to adopt the new standard before its operative date, which means that it will be first applied in the annual reporting period ending 30 June 2014.

(iii) AASB 2011-4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective for annual reporting periods beginning on or after 1 July 2013).

The revised standard removes the individual key management personnel (KMP) disclosure requirements from AASB 124: *Related Party Disclosures*, for all disclosing entities to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act 2001* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the future.

(iv) *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 Financial Instruments: Presentation)* (effective for annual reporting periods beginning on or after 1 July 2014).

These amendments clarify some of the requirements for offsetting financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has legally enforceable right to set off" and also clarifies the application of IAS 32 offsetting criteria to settlement systems. This standard would not have a significant impact on the disclosures contained in the financial report. The Company will apply the standard from 1 July 2014.

(v) *Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7 Financial Instruments: Disclosures)* (effective for annual reporting periods beginning on or after 1 July 2013).

These disclosures introduce more extensive disclosure requirements into IFRS 7 which focus on quantitative information about recognising financial instruments that are offset in the Statement of Financial Position, as well as those recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement. The standard would not have a significant impact on the disclosures already made. The Company will apply the standard from 1 July 2013.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 2. INCOME TAX

	2012 \$'000	2011 \$'000
(a) The income tax expense/(benefit) attributable to the profit/(loss) comprises:		
Current income tax provision	-	-
Deferred tax liabilities	390	(590)
Deferred tax assets	1,892	(3,754)
<b>Income tax expense/(benefit)</b>	<b>2,282</b>	<b>(4,344)</b>

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

Profit/(loss) before income tax expense/(benefit)	(15,264)	(13,117)
Prima facie income tax on profit/(loss) at 30%	(4,579)	(3,935)
<i>Reduce tax payable</i>		
Allowable credits for foreign tax paid	(318)	(409)
<i>Increase tax payable</i>		
Deferred tax benefit not utilised from prior year	596	-
Current year income tax receivable not recognised	499	-
Deferred tax benefit not recognised on unrealised investment losses	6,084	-
<b>Income tax expense/(benefit)</b>	<b>2,282</b>	<b>(4,344)</b>

#### (b) Deferred tax assets

In line with our existing accounting policy, the Company exercises judgement in determining the extent of recognition of deferred tax assets in relation to unrealised tax losses and whether future realised taxable profits are expected to be sufficient to allow recovery of these losses. At 30 June 2012, we have not recognised a deferred tax asset of \$6,084,000 relating to unrealised investment losses, because we cannot say with sufficient certainty that there will be sufficient taxable profits available in the next few years to recoup these losses. The non-recognition of these losses as a deferred tax asset is the main reason for the existence of an income tax expense in 2012.

The balance of deferred tax assets recognised in the Balance Sheet comprises temporary differences attributable to:

Auditing and review	13	13
Taxation services	8	8
Shareholder communication and reporting	31	45
Capital expenditure not immediately deductible	26	41
Financial asset payments not immediately deductible	-	12
Realised tax losses which can be utilised	2,405	2,993
Unrealised losses on financial assets	569	1,832
<b>Deferred tax assets</b>	<b>3,052</b>	<b>4,944</b>

#### (c) Deferred tax liabilities

The balance of deferred tax liabilities recognised in the Balance Sheet comprises temporary differences attributable to:

Dividends receivable	20	114
Accounting/tax cost on investments	1,502	1,018
<b>Deferred tax liabilities</b>	<b>1,522</b>	<b>1,132</b>

### 3. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 \$'000	2011 \$'000
<b>Financial assets</b>		
Equity securities	157,817	178,819
Derivatives	114	65
Foreign currency contracts	2,423	227
<b>Financial assets</b>	<b>160,354</b>	<b>179,111</b>
<b>Financial liabilities</b>		
Derivatives	795	1,325
Foreign currency contracts	1,944	154
<b>Financial liabilities</b>	<b>2,739</b>	<b>1,479</b>
<b>Financial assets less liabilities</b>	<b>157,615</b>	<b>177,632</b>

Refer to Note 1(c) for the accounting policy concerning fair value measurement.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 4. RECEIVABLES

	2012	2011
	\$'000	\$'000
Proceeds on sale of financial assets	286	96
Goods and Services Tax	29	35
Dividends receivable	66	375
Sundry debtors	7	8
Interest receivable	-	2
Prepayments	-	88
	<u>388</u>	<u>604</u>

Proceeds on sale of financial assets are usually received between two and five days after trade date.

Dividends are usually received within approximately 30 days of the ex-dividend date.

Information relating to the ageing of receivables is shown in Note 12.

### 5. PAYABLES

	2012	2011
	\$'000	\$'000
Payables on purchase of financial assets	23	2,534
Trade creditors (unsecured)	455	500
Unclaimed dividends payable to shareholders	15	72
	<u>493</u>	<u>3,106</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 30 days after being incurred.

These current payables are non interest bearing. Information relating to the Company's exposure of payables to liquidity risk is shown in Note 12.

### 6. CONTRIBUTED EQUITY

		2012	2012	2011	2011
		Quantity	\$'000	Quantity	\$'000
Opening balance		164,959,415	195,885	162,258,819	192,232
Dividend reinvestment plan	2-Sep-10 (a)	-	-	1,460,985	2,002
Reinvestment of unclaimed dividends	17-Sep-10 (b)	-	-	13,089	18
Dividend reinvestment plan	8-Mar-11 (a)	-	-	1,186,011	1,577
Reinvestment of unclaimed dividends	19-Mar-11 (b)	-	-	40,511	56
Dividend reinvestment plan	1-Sep-11 (a)	769,006	723	-	-
Reinvestment of unclaimed dividends	14-Sep-11 (b)	28,462	28	-	-
Reinvestment of unclaimed dividends	8-Mar-12 (b)	19,361	19	-	-
Buy-back of shares	2-Apr-12 (c)	(10,000)	(10)	-	-
Buy-back of shares	22-May-12 (c)	(100,000)	(98)	-	-
Buy-back of shares	25-May-12 (c)	(10,927)	(11)	-	-
<b>Closing balance</b>		<u>165,655,317</u>	<u>196,536</u>	<u>164,959,415</u>	<u>195,885</u>

(a) Shares were issued under the Dividend Reinvestment Plan at a 5% discount to the market price.

(b) 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.

(c) On 19 March 2012, the Company announced an on-market share buy-back programme approved by shareholders at the 2010 Annual General Meeting. The buy-back programme commenced on 2 April 2012, with all shares being acquired through the Australian Securities Exchange. At 30 June 2012, 120,927 shares were bought-back.

#### Ordinary Shares

At 30 June 2012, ordinary shares on issue totalled 165,655,317 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 shares held.

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 June 2012**

**7. EARNINGS PER SHARE**

	2012	2011
Basic earnings per share - cents per share	<u>(10.59)</u>	<u>(5.35)</u>
Diluted earnings per share - cents per share	<u>(10.59)</u>	<u>(5.35)</u>
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	<u>165,612,373</u>	<u>163,864,253</u>
	\$'000	\$'000
<b>Earnings used in the calculation of basic and diluted earnings per share</b>	<u>(17,546)</u>	<u>(8,773)</u>

There have been no conversions to, calls of, or subscriptions for Ordinary Shares during 2011/2012, other than those issued under the Dividend Reinvestment Plan, reinvestment of unclaimed dividends and those shares bought-back under the share buy-back programme. As there are no potential Ordinary Shares, diluted earnings per share equals basic earnings per share.

**8. RETAINED PROFITS**

	Note	2012 \$'000	2011 \$'000
Retained profits at the beginning of the financial year		3,261	26,696
Net profit/(loss)		(17,546)	(8,773)
Dividends paid	13	(3,134)	(14,662)
<b>Retained profits at the end of the financial year</b>		<u>(17,419)</u>	<u>3,261</u>

**9. NOTES TO THE STATEMENT OF CASH FLOWS**

	2012 \$'000	2011 \$'000
<b>(a) Reconciliation of Cash</b>		
Cash at bank *	25	85
Cash on deposit **	19,617	20,119
	<u>19,642</u>	<u>20,204</u>

\* Includes \$11,000 (2011: \$68,000) held in respect of unclaimed dividends on behalf of shareholders.

\*\* Includes \$4,925,000 (2011: \$7,111,000) on deposit to 'cash cover' derivative contracts' deposits and margin calls. These amounts are held by the relevant derivative exchanges and counterparties as security. 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 0.00% to 4.65% (2011: 0.00% to 4.75%).

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 June 2012**

**9. NOTES TO THE STATEMENT OF CASH FLOWS (continued)**

<b>(b) Reconciliation of Net Cash from Operating Activities to Profit after Income Tax</b>	2012 \$'000	2011 \$'000
Profit/(Loss) after income tax	(17,546)	(8,773)
Decrease/(increase) in investment securities and forward currency contracts	20,017	18,063
(Increase)/decrease in cash due to exchange rate movements	(959)	3,180
Decrease/(increase) in settlements receivable	(190)	(46)
Decrease/(increase) in dividends receivable	309	(170)
Decrease/(increase) in interest receivable	2	-
Decrease/(increase) in Goods and Services Tax receivable	6	3
Decrease/(increase) in sundry debtors	1	(8)
Decrease/(increase) in prepayments	88	-
Decrease/(increase) in income tax receivable	(435)	-
(Decrease)/increase in accrued expenses	(45)	(71)
(Decrease)/increase in settlements payable	(2,511)	2,364
(Decrease)/increase in income tax payable	-	(412)
Decrease/(increase) in deferred tax assets	1,892	(3,754)
(Decrease)/increase in deferred tax liabilities	390	(590)
<b>Net cash from operating activities</b>	<b>1,019</b>	<b>9,786</b>

**(c) Non-Cash Financing Activities**

During the year 769,006 (2011: 2,646,996) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash under the Dividend Reinvestment Plan during the year totalled \$722,866 (2011: \$3,578,944).

**10. Statement of Net Asset Value**

	2012 \$'000	2011 \$'000
<b>Reconciling Net Asset Value in accordance with Australian Accounting Standards to that reported to the ASX*</b>		
Net Asset Value per Balance Sheet	179,117	199,146
Add:		
Difference between bid price under Australian Accounting Standards and last sale price	362	175
Less:		
Deferred income tax asset on movements on Australian Accounting Standards and last sale price	(109)	(53)
Net deferred income tax asset in respect of unused current and future year tax losses	(1,422)	(3,759)
Net Asset Value	<b>177,948</b>	<b>195,509</b>
<b>Net Asset Value - cents per share</b>	<b>107.42</b>	<b>118.52</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

	Quantity	2012 Fair Value \$'000
<b>11. INVESTMENT PORTFOLIO</b>		
<b>Japan</b>		
Alpine Electronics	105,200	1,213
CyberAgent	157	391
Dai Ichi Life Insurance	453	506
Denso	68,193	2,247
Hamamatsu Photonics	25,515	839
Hirano Tecseed	52,300	294
Inpex	132	718
JSR	62,025	1,042
Mitsubishi UFJ Financial Group	267,000	1,144
Miura	31,885	825
Nagano Bank	2,033	4
Nintendo	11,373	1,288
Obic	6,953	1,299
Pal	38,300	1,786
Shin-Etsu Chemical	69,428	3,705
Sumitomo Electric Industries	111,938	1,084
T&D	187,362	1,933
Toyota Industries	88,108	2,438
Toyota Motor	51,193	1,999
Ushio	80,590	966
Yamanashi Chuo Bank	44,235	169
<b>Total Japan</b>		<b>25,890</b>
<b>Other Asia</b>		
<i>China</i>		
Anton Oilfield Services	12,764,100	2,041
China Mobile	134,394	1,434
China Molybdenum	584,964	207
China Resources Enterprise	453,826	1,309
EcoGreen Fine Chemicals	10,969,682	1,837
E-House China - ADR	120,000	643
Guangzhou Automobile	828,426	671
Hunan Non-Ferrous Metal	429,026	126
Ping An Insurance - P Note	63,673	444
Shengli Oil & Gas Pipe	11,336,200	785
Sina	44,142	2,233
Sohu.com	39,652	1,729
Trina Solar - ADR	84,335	523
Yonyou Software - P Note	365,861	858
Yonyou Software - A Shares - long equity swap	63,845	(11)
		<b>14,829</b>

**NOTES TO THE FINANCIAL STATEMENTS**

30 June 2012

	Quantity	2012 Fair Value \$'000
<b>11. Investment Portfolio (continued)</b>		
<b>Other Asia (continued)</b>		
<i>Hong Kong</i>		
China Resources Logic	1,027,500	1,718
Computime	8,232,300	467
G-Resources	956,652	52
		<b>2,237</b>
<i>India</i>		
Housing Development and Infrastructure	376,560	577
Unitech	2,233,935	869
United Breweries	101,000	114
United Spirits	56,055	678
		<b>2,238</b>
<i>Korea</i>		
Kangwon Land	48,910	1,017
Korea Investment	36,275	1,173
Samsung Electronics	4,099	4,211
SK Telecom	2,046	219
		<b>6,620</b>
<i>Saudi Arabia</i>		
Almarai - long equity swap	28,869	(28)
		<b>(28)</b>
<i>Singapore</i>		
Banyan Tree	1,623,000	683
Ezra	457,000	376
Fraser and Neave	156,802	844
Mandarin Oriental International	300,000	377
Petra Foods	50,667	97
		<b>2,377</b>
<i>Thailand</i>		
Bangkok Bank - Foreign	166,491	1,051
Bangkok Bank - NVDR	574,332	3,377
		<b>4,428</b>
<i>Vietnam</i>		
Vietnam Dairy Product - long equity swap	332,096	38
Vietnam Enterprise	537,600	1,061
		<b>1,099</b>
<b>Total Other Asia</b>		<b>33,800</b>
<b>Australia</b>		
Allied Gold Mining	149,713	341
Ivanhoe Australia	152,578	92
Newcrest Mining	18,000	404
Vantage Goldfields	1,000,000	90
Vantage Goldfields - call option	500,000	-
<b>Total Australia</b>		<b>927</b>
<b>Europe - Euro</b>		
<i>France</i>		
Groupe Eurotunnel	74,813	592
Pernod Ricard	25,162	2,623
PPR	13,339	1,851
Sanofi	55,000	4,062
		<b>9,128</b>

**NOTES TO THE FINANCIAL STATEMENTS**

30 June 2012

	Quantity	2012 Fair Value \$'000
<b>11. Investment Portfolio (continued)</b>		
<b>Europe - Euro (continued)</b>		
<i>Germany</i>		
Adidas	21,200	1,480
Allianz	8,168	800
Bayerische Motoren Werke	19,171	1,352
Daimler	13,138	574
Deutsche Boerse	46,810	2,459
Henkel KGAA - Vorzug	51,662	3,345
Hornbach Baumarkt	73,312	2,281
Hornbach	23,720	1,644
Qiagen	115,158	1,880
Qiagen - ADR	52,469	855
Siemens	23,576	1,930
SMA Solar Technology	11,000	367
		<b>18,967</b>
<i>Italy</i>		
Buzzi Unicem	71,593	655
		<b>655</b>
<i>Netherlands</i>		
Royal Dutch Shell	74,031	2,436
TNT Express	125,133	1,428
		<b>3,864</b>
<i>Spain</i>		
Amadeus IT	125,121	2,476
		<b>2,476</b>
<b>Total Europe - Euro</b>		<b>35,090</b>
<b>Europe - Other</b>		
<i>Sweden</i>		
Atlas Copco	(10,541)	(11)
Ericsson	231,681	2,059
		<b>2,048</b>
<i>Switzerland</i>		
Meyer Burger Technology	29,000	435
Roche	11,000	1,853
		<b>2,288</b>
<i>United Kingdom</i>		
Carnival	53,247	1,782
Petrofac	(33,491)	48
Reed Elsevier	178,947	1,404
Vodafone Group	271,904	748
Weir Group	(3,718)	(3)
		<b>3,979</b>
<b>Total Europe - Other</b>		<b>8,315</b>
<b>North America</b>		
<i>Canada</i>		
Ballard Power Systems	646,500	733
Banro	154,894	552
Canfor Pulp Products	44,966	462
Crescent Point Energy	(21,318)	(17)
Domtar	16,430	1,227
Great Basin Gold	192,636	126
Nexen	210,691	3,476
Thompson Creek Metal	23,651	74
		<b>6,633</b>

**NOTES TO THE FINANCIAL STATEMENTS**

30 June 2012

	Quantity	2012 Fair Value \$'000
<b>11. Investment Portfolio (continued)</b>		
<b>North America (continued)</b>		
<i>United States</i>		
Advanced Micro Devices	330,377	1,846
Bank Of America	580,500	4,638
Barrick Gold	15,941	586
Capstone Turbine	878,797	858
Ciena	138,671	2,217
Cisco Systems	208,806	3,500
Cummins	(7,341)	(23)
Edward Lifesciences	(2,632)	(44)
Electronic Arts	80,647	972
Finisar	26,913	393
Foster Wheeler	157,670	2,666
Gilead Sciences	43,100	2,158
Google	4,733	2,682
Guess?	15,435	458
Halliburton	37,689	1,046
HCP	(50,009)	(152)
Infinera	98,237	655
Jacobs Engineering	55,183	2,039
Johnson & Johnson	34,000	2,244
KBR	21,058	508
Lululemon Athletica	(3,626)	8
Macerich	(22,472)	(63)
Marvell Technology	180,734	1,990
Mercer International	141,000	785
MGIC Investment	82,019	230
Microsoft	151,000	4,510
Newmont Mining	8,000	379
NRG Energy	41,128	698
Pepsico	38,882	2,683
Retail Basket	(32,359)	(29)
Russell 2000 Mini Index Sep 2012	(46)	(171)
S&P 500 Machinery Index	(4,800)	(14)
Salesforce.com	(20,784)	(111)
Smurfit Stone	225,000	-
Sothebys	24,104	785
SPDR S&P Retail ETF	(32,000)	(52)
Stillwater Mining	136,582	1,138
		<b>42,013</b>
<b>Total North America</b>		<b>48,646</b>
<b>South America</b>		
<i>Brazil</i>		
Grendene	226,500	1,139
		<b>1,139</b>
<i>Chile</i>		
Sociedad Quimica y Minera de Chile	(19,836)	(46)
		<b>(46)</b>
<i>Peru</i>		
Bayer Peru - Trabajo	77,287	368
Peru Holding De Turismo - Trabajo	1,667,523	104
		472
<b>Total South America</b>		<b>1,565</b>
<b>Africa</b>		
<i>South Africa</i>		
AngloGold Ashanti - ADR	26,741	897
		<b>897</b>
<i>Zimbabwe</i>		
Dawn Properties	1,806,672	14
Delta	1,220,758	763
Innscor Africa	1,545,692	821
Murray and Roberts	6,879,563	336
Padenga	1,297,989	57
Riozim	48,989	15
		2,006
<b>Total Africa</b>		<b>2,903</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

	Quantity	2012 Fair Value \$'000
<b>11. Investment Portfolio (continued)</b>		
<b>Liquids</b>		
Outstanding settlements		329
Forward currency contracts		479
Cash on deposit		19,617
<b>Total Liquids</b>		<b>20,425</b>
<b>Total Investment Portfolio</b>	<b>reconciles to Note 12(c)</b>	<b>177,561</b>
Accounted for in payables (payables on purchase of investments)		23
Accounted for in receivables (proceeds on sale of investments)		(286)
Accounted for in receivables (dividends receivable)		(66)
<b>Accounted for in Financial Assets and Liabilities (\$157,615,000 as per Note 3) and Cash on Deposit (\$19,617,000 as per Note 9(a))</b>		<b>177,232</b>

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

Number of transactions - 2,119                      Total brokerage paid - \$969,953 (\$203,572 on purchases and \$766,381 on sales)

## 12. FINANCIAL RISK MANAGEMENT

### (a) Financial Risk Management Objectives, Policies and Processes

The Company's primary risks are related to the investment activities undertaken on its behalf by Platinum Asset Management.

The risks that Platinum Asset Management is exposed to include: market risk (including currency and price risk), credit risk and liquidity risk.

Platinum Asset Management's investment style:

- (i) adopts a bottom-up stock selection methodology, through which long-term capital growth is sought by investing in undervalued securities across the world;
- (ii) seeks absolute returns and not returns relative to any index;
- (iii) invests excess funds in cash when undervalued stocks cannot be found; and
- (iv) actively manages currency.

Derivatives (which include equity swaps and futures) are utilised for risk management purposes and to take opportunities to increase returns.

The underlying value of derivatives held by the Company may not exceed 100% of the portfolio value.

The underlying value of long stocks and derivative contracts may not exceed 150% of the portfolio value.

Where options are employed, the underlying value will be delta-adjusted exposure.

Compliance with these limits is reviewed by the Board and the Audit and Risk Committee

on a monthly basis. The Company does not generally enter or trade derivatives for speculative purposes.

**NOTES TO THE FINANCIAL STATEMENTS**

30 June 2012

**12. FINANCIAL RISK MANAGEMENT (cont'd)****(b) Investments at Fair Value and Derivative Exposure**

2012

	Physical \$'000	Long Derivative Contracts \$'000	Short Derivative Contracts \$'000	Net Exposure \$'000
Japan	25,890	-	-	25,890
Other Asia	33,800	1,994	-	35,794
Australia	927	-	-	927
Europe - Euro	35,091	-	-	35,091
Europe - Other	8,281	-	(1,023)	7,258
North America	49,314	-	(20,971)	28,343
South America	1,611	-	(1,081)	530
Africa	2,903	-	-	2,903
	<u>157,817</u>	<u>1,994</u>	<u>(23,075)</u>	<u>136,736</u>

2011

	Physical \$'000	Long Derivative Contracts \$'000	Short Derivative Contracts \$'000	Net Exposure \$'000
Japan	35,889	-	-	35,889
Other Asia	39,594	1,757	(2,294)	39,057
Australia	2,726	1	(572)	2,155
Europe - Euro	45,502	-	(22)	45,480
Europe - Other	4,398	-	(3,534)	864
North America	46,513	-	(26,545)	19,968
South America	1,551	-	-	1,551
Africa	2,646	-	-	2,646
	<u>178,819</u>	<u>1,758</u>	<u>(32,967)</u>	<u>147,610</u>

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

The Investments shown above in the "Physical" column (totalling \$157,817,000 for 2012) reconcile to the fair value of equity securities disclosed in Note 3.

The "Long/Short Derivative Contracts" columns include the notional value of long/short equity swaps and futures.

The "Net Exposure" column represents an approximation of the Investment Portfolio's exposure to movements in markets. This is calculated by making an adjustment to the "Physical" position, by adding any long (bought) derivative positions in shares or share index futures and subtracting the principal notional amount of any short (sold) positions. 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 that the Portfolio was net short the Japanese market.

**(c) Market Risk****(i) Foreign Exchange Risk**

Foreign exchange risk is the risk the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company operates internationally and is exposed to foreign exchange risk arising from buying, selling and holding investments denominated in foreign currency. Platinum Asset Management selects stocks based on value regardless of geographic location.

Currency hedging is an integral part of the management of currency risk. Platinum Asset Management may position the Company's Portfolio in what it believes will be a stronger currency(ies). At 30 June 2012, the Company's principal currency exposures were: US Dollar (51%), Asian currencies (ex the Hong Kong Dollar and the Japanese Yen) (11%) and Euro (11%). The Company's exposure to the Australian Dollar was 4%.

Platinum Asset Management may use forward foreign exchange contracts, and futures and option contracts on foreign exchange rate contracts, to position the Portfolio in the desired currencies. A currency exposure may be hedged into a different currency from which the exposure is maintained (for example, US Dollar hedges may be used to hedge the currency risk of holding investments in Hong Kong Dollars).

Where there have been major currency movements or where currencies are perceived to be over or undervalued, Platinum Asset Management may look for investments whose operating environment has been distorted by the lower currency as part of the search for undervalued stocks. There may be even opportunities to invest in stocks impacted by a lower currency (for example, export-oriented stocks).

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 12. FINANCIAL RISK MANAGEMENT (cont'd)

#### (c) Market Risk (continued)

##### (i) Foreign Exchange Risk (continued)

The table below summarises the Company's investment exposure at fair value to foreign exchange risk. The total physical and net exposure reconciles to the total investment portfolio in Note 11.

2012	Physical \$'000	Bought \$'000	Sold \$'000	Net Exposure \$'000
Japan	29,176	-	(30,423)	(1,247)
Other Asia	32,165	2,229	-	34,394
Australia	1,492	15,642	(10,950)	6,184
Europe - Euro	35,922	1,141	(17,026)	20,037
Europe - Other	6,581	7,497	-	14,078
North America	70,614	45,525	(13,635)	102,504
South America	1,611	-	-	1,611
Africa	-	-	-	-
	<u>177,561</u>	<u>72,034</u>	<u>(72,034)</u>	<u>177,561</u>
2011	Physical \$'000	Bought \$'000	Sold \$'000	Net Exposure \$'000
Japan	39,645	-	(35,762)	3,883
Other Asia	40,894	29,007	(431)	69,470
Australia	3,794	32,413	(13,318)	22,889
Europe - Euro	46,881	6,159	(9,270)	43,770
Europe - Other	4,897	7,721	(1,974)	10,644
North America	58,026	31,274	(45,819)	43,481
South America	1,551	-	-	1,551
Africa	-	-	-	-
	<u>195,688</u>	<u>106,574</u>	<u>(106,574)</u>	<u>195,688</u>

Forward foreign currency contracts and options on forward currency contracts are adjusted against the "Physical" column to arrive at a "Net Exposure" for each currency grouping.

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

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

#### Foreign exchange risk sensitivity analysis

The sensitivity analysis below shows what impact a 10% movement in foreign currency at reporting date would have on the Company's profit on monetary and non-monetary assets and liabilities such as cash, forward contracts and equities.

A sensitivity of 10% has been selected as this is considered reasonably possible given current exchange rates and the volatility observed both on a historic basis and after factoring in possible future movements.

The table presents the foreign currency or currencies with the largest impact on profit of the Company.

	2012 +10% \$'000	2012 -10% \$'000	2011 +10% \$'000	2011 -10% \$'000
United States Dollar	(8,329)	10,179	(2,903)	3,569
Euro	(1,821)	2,226	(3,981)	4,866

The sensitivity analysis shows that the Company is materially affected by exchange rate movements (other things being equal), given the global nature of the investments held. Throughout 2011/12, the Company had minimal exposure to the Australian Dollar and thus returns have reduced due to the strength of the Australian Dollar.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 12. FINANCIAL RISK MANAGEMENT (cont'd)

#### (c) Market Risk (continued)

##### (i) Foreign Exchange Risk (continued)

##### (ii) Interest Rate Risk

Interest rate risk is the possibility the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The overwhelming majority of the Company's financial assets and liabilities are non-interest bearing as the Company has a policy of not borrowing, other than for settlement of trades. Therefore, there is no liability exposure to interest rate risk.

Interest rate risk indirectly affects the Company as interest rate movements will affect forward points used in determining gains or losses on forward contracts.

The impact of interest rate movements on our investments is not capable of precise estimation.

At 30 June 2012 and 2011, if interest rates had changed by +/- 100 basis points with all other variables held constant, the direct impact on interest receivable would not be significant for the Company.

##### (iii) Price Risk

Market prices fluctuate due to a range of factors specific to the individual investments, or factors affecting the market in general.

Platinum Asset Management's stock selection process is core to the management of price risk. Platinum adopts a thematic stock selection approach and is referred to as being an "active manager". Platinum Asset Management seeks a broad range of investments whose businesses and growth prospects, it believes, are being undervalued by the market. Accordingly, holdings in the Company may vary considerably from the make-up of a general index. Investment Managers such as Platinum Asset Management seek to outperform the market as represented by an appropriate index.

As an additional risk management tool, the Company may enter into short equity swaps and futures to protect against market movements. At 30 June 2012, the Company maintained short positions against company specific stocks and market indices. The use of index derivatives allows the Company to invest in specific companies, whilst providing some degree of protection against more general adverse market price movements.

##### *Price risk sensitivity analysis*

Price risk exposure arises from the Company's investment portfolio which comprises investments in securities and derivatives. The effect on profit due to a possible change in market factors, as represented by a +/- 5% movement in key regional equity indices affecting the market (and securities/derivatives) that the Company predominantly invests in, with all other variables held constant, is indicated as follows:

	2012 +5% \$'000	2012 -5% \$'000	2011 +5% \$'000	2011 -5% \$'000
Japanese Nikkei 225	1,294	(1,294)	1,794	(1,794)
S&P index	1,748	(1,748)	914	(914)

A sensitivity of 5% has been selected as this is considered reasonably possible. However, given the present volatility of global markets, increases or decreases greater than this are possible.

The above analysis is based on the assumption the Company's investments move in correlation with the indices. The indices provided above are a reference point only. Actual movements in stock prices may vary significantly to movements in the index.

The above sensitivity analysis for price risk is unrepresentative of the market exposure for the Company as Platinum Asset Management does not invest by reference to the weighting or inclusion of a security in a specific index. An investment management style where the composition of the portfolio is by reference to global share index weightings is often referred to as an "index manager". An "index manager" tries to match a particular index by investing in securities that are representative of that index.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 12. FINANCIAL RISK MANAGEMENT (cont'd)

#### (d) Credit Risk

Credit risk relates to the risk of a counterparty defaulting on a financial obligation resulting in a loss to the Company (typically "non-equity" financial instruments).

The exposure to credit risk for futures, equity swaps, and forward currency contracts is any unrealised profit, margins and collateral paid on the positions (the money the Company would lose if the counterparty defaulted) at reporting date.

The table below shows the Company's counterparty credit risk exposure by credit rating:

#### Ratings

	2012 \$'000	2011 \$'000
AA	-	474
A+	16,262	18,608
A	3,801	3,483
A-	1,842	-
BBB+	-	75
Total	<u>21,905</u>	<u>22,640</u>

Source: Platinum and Standard & Poor's

Platinum Asset Management regularly monitors the Company's credit risk exposure to counterparties and seeks to manage the risk by spreading exposure over a number of counterparties by signing standard ISDA (International Swaps and Derivatives Association) master agreements and net settlement contracts, employing two-way symmetrical margining of unrealised profits and losses and by controlling the duration of contracts to be short-term.

Transactions in listed securities and investments are entered into with approved brokers.

Payment is only made once a broker has received securities and delivery of securities sold only occurs once the broker receives payment.

#### Ageing analysis

The Company's ageing analysis of receivables (disclosed in Note 4 and the Balance Sheet) at 30 June 2012 is as follows:

	2012 \$'000	2011 \$'000
0-30 days	336	181
31-60 days	29	19
61-90 days	-	55
90+ days	458	349
	<u>823</u>	<u>604</u>

No amounts are past due or impaired.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 12. FINANCIAL RISK MANAGEMENT (cont'd)

#### (e) Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities.

This includes the risk that the Company:

- (i) will not have sufficient funds to settle a transaction on the due date; and
- (ii) will be forced to sell financial assets at a value which is less than they are worth.

#### Financial and Non-Financial Liabilities

All financial and non-financial liabilities are payable within three months

#### Non-Financial Liabilities

At 30 June 2012, the contractual maturity for non-financial amounts payable (disclosed Note 5) is as follows:

	2012 \$'000	2011 \$'000
<b>Payable within three months</b>		
Unsettled trades	23	2,534
Trade creditors and dividends payable	470	572
	<u>493</u>	<u>3,106</u>

#### Financial Liabilities

As at 30 June 2012, contractual maturity of financial liabilities (disclosed in Note 3) is as follows:

	2012 \$'000	2011 \$'000
<b>Payable within three months</b>		
Derivative contractual outflows	795	1,325
Forward currency contracts	1,944	154
	<u>2,739</u>	<u>1,479</u>

At 30 June 2012, there are no other contractual amounts payable after three months.

The Company has sufficient funds to meet these liabilities as the value of net assets realisable in one year or less is \$178,073,000 (2011: \$198,432,000). Assets that are realisable in one year or less include equities, derivatives, cash and cash equivalents.

Except for equity swaps and futures, the maximum capital risk resulting from financial instruments is determined by the fair value of financial instruments. Potential losses from equity swaps and futures are limited to available capital.

The risk management guidelines adopted are designed to minimise liquidity risk through:

- (i) ensuring that there is no significant exposure to illiquid or thinly traded financial instruments; and
- (ii) applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

Platinum Asset Management prepares daily cash forecasts for the Company and maintains sufficient cash to meet normal operating requirements.

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

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 12. FINANCIAL RISK MANAGEMENT (cont'd)

#### (f) Fair Value Hierarchy

The Company classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices) (level 2); and
- (iii) inputs for the assets or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table summarises the levels within the fair value hierarchy that the Company's investments are classified as at 30 June 2012 and 30 June 2011. The Company has no assets or liabilities that are classified as Level 3.

2012	Level 1 \$'000	Level 2 \$'000	Total \$'000
<b>Financial assets</b>			
Equity securities	156,756	1,061	157,817
Derivatives	114	-	114
Foreign currency contracts	2,423	-	2,423
Financial assets	159,293	1,061	160,354
<b>Financial liabilities</b>			
Derivatives	795	-	795
Foreign currency contracts	1,944	-	1,944
Financial liabilities	2,739	-	2,739
<b>2011</b>			
2011	Level 1 \$'000	Level 2 \$'000	Total \$'000
<b>Financial assets</b>			
Equity securities	177,947	872	178,819
Derivatives	87	(22)	65
Foreign currency contracts	227	-	227
Financial assets	178,261	850	179,111
<b>Financial liabilities</b>			
Derivatives	1,325	-	1,325
Foreign currency contracts	154	-	154
Financial liabilities	1,479	-	1,479

The above totals reconcile to the total of financial assets less liabilities in Note 3.

#### (g) Capital Risk Management

The Company considers its capital to comprise ordinary share capital and accumulated retained profits.

The Company's objective is to seek long-term capital growth by investing in undervalued securities across the world, so to continue to provide returns to shareholders. Under the capital management programme approved by shareholders, the Company may adjust its capital structure via rights issues and share buy-backs, pursuant to the capital management programme.

The Company is an ASX-listed investment company and is subject to various ASX Listing Rules requirements. For example, the Company must report its net asset value (NAV) to the ASX on a monthly basis. The Company complies with all externally-imposed capital requirements.

### 13. DIVIDENDS (FULLY FRANKED)

	2012 cps	2012 \$'000	2011 cps	2011 \$'000
Paid - 2 September 2010	-	-	5.00	8,113
Paid - 8 March 2011	-	-	4.00	6,549
Paid - 1 September 2011	1.90	3,134	-	-
		3,134		14,662

#### Dividends not recognised at year-end

Since year-end, the Directors have declared there will be no final dividend for the year ended 30 June 2012 (2011:\$3,134,000). This is in addition to the nil interim 2012 dividend declared on 12 January 2012.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 14. FRANKING ACCOUNT

	2012 \$'000	2011 \$'000
Opening balance based on tax paid and franking credits attached to dividends paid - converted @ 30%	7,956	14,240
Tax paid	435	-
Dividend paid - franked @ 30%	(1,343)	(6,284)
	<u>7,048</u>	<u>7,956</u>

### 15. INVESTMENT MANAGER

The Investment Manager, Platinum Asset Management 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).

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.

At 30 June 2012, the annual pre-tax performance of the portfolio was negative 7.71% and the corresponding MSCI was negative 2.33%. This represents an underperformance of 5.38% against the MSCI. Accordingly, a performance fee has not been accrued. No performance fee has been paid in relation to either the current period or the previous period.

Platinum Asset Management 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 Platinum Asset Management. 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.

Fees paid and payable to Platinum Asset Management for the year is shown in the table below:

	2012 \$'000	2011 \$'000
Management fee	2,719	3,096
	<u>2,719</u>	<u>3,096</u>

A summary of the salient provisions of the Investment Management Agreement ("Agreement") is contained below:

- (a) The terms of the Agreement require Platinum Asset Management to:
- invest and manage the Portfolio in accordance with the Agreement;
  - confer with the Board of the Company at regular intervals in respect of the investment and management of the Portfolio;
  - exercise all due diligence and vigilance in carrying out its functions, powers and duties under the Agreement;
  - promptly notify the Board of any instructions given to it by the Company which have not been complied with; and
  - appoint Mr Neilson as Managing Director of the Company.
- (b) Each party is to provide three months notice to terminate the Agreement. The Company may immediately terminate the Agreement where Platinum Asset Management:
- becomes subject to a receiver, receiver and manager, administrative receiver or similar person;
  - goes into liquidation;
  - ceases to carry on business in relation to its activities as an Investment Manager;
  - 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
  - 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.

The Agreement was entered into to (a) codify changes made to the ASX Listing Rules and (b) codify the range of services provided by Platinum Asset Management to the Company.

### 16. CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS TO CAPITAL EXPENDITURE

No contingent assets or liabilities exist at 30 June 2012 and 30 June 2011.  
The Company has no commitments for uncalled share capital on investments.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 17. SEGMENT INFORMATION

The Company is organised into one main operating segment with the one key function of the investment of funds internationally. AASB 8 requires the disclosure of revenue by geographical location and investment type.

(a) Revenue by geographical location is outlined below.	2012 \$'000	2011 \$'000
Japan	(1,684)	(2,813)
Other Asia	(669)	1,034
Australia	(324)	(449)
Europe - Euro	(2,265)	7,517
Europe - Other	1,112	(2,237)
North America	(5,073)	(18,909)
South America	104	54
South Africa	(819)	(730)
Unallocated revenue - Net gains/(losses) on forward currency contracts	(1,352)	8,262
<b>Total</b>	<b>(10,970)</b>	<b>(8,271)</b>

(b) Revenue by investment type is outlined below.	2012 \$'000	2011 \$'000
Equity securities	(11,906)	799
Derivatives	2,196	(13,575)
Foreign currency contracts	(1,352)	8,262
Bank accounts	92	(3,757)
<b>Total</b>	<b>(10,970)</b>	<b>(8,271)</b>

### 18. EVENTS OCCURRING AFTER BALANCE SHEET DATE

No significant events have occurred since balance date that would impact the Balance Sheet of the Company as at 30 June 2012 and the results for the year ended on that date.

### 19. KEY MANAGEMENT PERSONNEL DISCLOSURES

#### (a) Details of Remuneration

The table below presents actual amounts received by the Non-Executive Directors.

Name	Cash Salary \$	Superannuation \$	Short-term incentives \$	Long-term incentives \$	Total \$
Bruce Phillips					
FY 2012	55,000	4,950	-	-	59,950
FY 2011	55,000	4,950	-	-	59,950
Bruce Coleman					
FY 2012	50,000	4,500	-	-	54,500
FY 2011	50,000	4,500	-	-	54,500
Richard Morath					
FY 2012	50,000	4,500	-	-	54,500
FY 2011	50,000	4,500	-	-	54,500
Total Non-Executive remuneration					
FY 2012	155,000	13,950	-	-	168,950
FY 2011	155,000	13,950	-	-	168,950

#### Executive Director Remuneration

The Executive Directors (Kerr Neilson, Andrew Clifford and Philip Howard) are employees of the Investment Manager, Platinum Investment Management Limited. The responsibilities that each of the Executive (and Non-Executive) Director performs are outlined in the Corporate Governance Statement on page 11.

The Executive Directors continue to waive their right to any fee and as a result the Company does not pay the Executive Directors any remuneration. The Company has never paid any remuneration to the Executive Directors and this waiver is consistent with the practice adopted in the past.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

### 19. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

#### (b) Interests of Non-Executive and Executive Directors in shares

The number of Ordinary Shares in the Company that the Directors have a relevant interest at balance date is as follows:

Name	Balance at 1/07/2011	Acquisitions	Disposals	Balance at 30/06/2012
Bruce Phillips	139,985	290,000	-	429,985
Bruce Coleman	200,000	-	-	200,000
Richard Morath	20,000	7,000	-	27,000
Kerr Neilson	1,648,039	-	-	1,648,039
Andrew Clifford	1,412,006	-	-	1,412,006
Philip Howard	-	-	-	-

### 20. RELATED PARTY DEALINGS

#### Management fees

Disclosures relating to management fees paid and payable to the related party, Platinum Asset Management are set out in Note 15.

#### Administration fees

Under the Administrative Services Agreement, Platinum Asset Management provides various administrative services to the Company. These include accountancy, secretarial, performance analytics, taxation, compliance and risk monitoring services.

In consideration for providing these services, Platinum Asset Management received a payment of \$1 from the Company.

#### Key Management Personnel - Executive Directors

The Executive Directors (Kerr Neilson, Andrew Clifford and Philip Howard) are related parties of the Company, on the basis that:

(1) they are employees of the Investment Manager, Platinum Asset Management and the Executive Directors receive a portion of the management fee received by the Investment Manager, in their capacity as Directors for the Investment Manager.

(2) the Executive Directors are members of the Board of the Company and consequently carry out various responsibilities which are outlined in the Corporate Governance Statement on page 11. The Executive Directors waive their right to any fee or remuneration and as a consequence the Company does not pay the Executive Directors any remuneration.

#### Key Management Personnel - Non-Executive Directors

Details of remuneration paid to the Non-Executive Directors are outlined in Note 19.

### 21. 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 17 to 41 are in accordance with the *Corporations Act 2001* including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
  - (ii) giving a true and fair view of the Company's financial position as at 30 June 2012 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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

**Bruce Phillips**  
Chairman

**Kerr Neilson**  
Director

Sydney  
9 August 2012



## **Independent auditor's report to the members of Platinum Capital Limited**

### ***Report on the financial report***

We have audited the accompanying financial report of Platinum Capital Limited (the Company), which comprises the Balance Sheet as at 30 June 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration.

### ***Directors' responsibility for the financial report***

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### ***Auditor's responsibility***

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

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

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

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

### ***Independence***

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

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171  
DX 77 Sydney, Australia  
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### *Auditor's opinion*

In our opinion:

- (a) the financial report of Platinum Capital Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the Company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### *Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report of Platinum Capital Limited (the Company) for the year ended 30 June 2012 included on Platinum Capital Limited's web site. The Company's Directors are responsible for the integrity of Platinum Capital Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. 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 this web site.

PricewaterhouseCoopers

AJ Wilson  
Partner

Sydney  
9 August 2012

## **DIRECTORY**

### **Directors**

Bruce Phillips  
Bruce Coleman  
Richard Morath  
Kerr Neilson  
Andrew Clifford  
Philip Howard

### **Company Secretary**

Philip Howard

### **Investment Manager**

Platinum Investment Management Limited

### **Shareholder Liaison**

Liz Norman

### **Registered Office**

Level 8, 7 Macquarie Place  
Sydney NSW 2000  
Phone 1300 726 700 (Australia only)  
Phone 0800 700 726 (New Zealand only)  
Phone + 61 2 9255 7500  
Fax + 61 2 9254 5555

### **Share Registrar**

Computershare Investor Services Pty Ltd  
Level 3, 60 Carrington Street  
Sydney NSW 2000  
Phone 1300 855 080 (Australia only)  
Phone + 61 3 9415 4000  
Fax + 61 3 9473 2500

### **Auditor and Taxation Advisor**

PricewaterhouseCoopers  
201 Sussex Street  
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 neither guarantee  
the repayment of capital nor the investment  
performance of the Company.