

23 August 2012

Dear Shareholder

### **2012 Annual General Meeting (AGM) and the 2012 Remuneration Report Resolution**

At last year's Annual General Meeting (AGM) of Platinum Capital Limited ("the Company"), 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 Annual Report. The Annual Report will be mailed out to you in September 2012.

We have provided you with a copy of the 2012 Remuneration Report as an attachment to this letter.

**In summary, Platinum Capital has only three employees, the Non-Executive Directors. The remuneration of these Directors in 2012 was as follows:**

- **Total remuneration for each employee (the Non-Executive Directors (NED)) ranges from \$54,500 to \$59,950, which is mid-range relative to comparable listed investment companies.**
- **NEDs are paid a fixed salary and do not receive bonuses.**
- **There has been no increase in remuneration paid to Non-Executive Directors since 2003; and**
- **Aggregate remuneration paid to all directors is \$168,950, out of the shareholder approved limit of \$350,000 (i.e. less than 50% of the amount approved by shareholders).**

The Executive Directors do not receive any remuneration from the Company. The Executive Directors are employed by a third party, the Investment Manager.

The Company remunerates its Investment Manager under an agreement previously approved by shareholders. Platinum Capital has no involvement in setting the remuneration of the Investment Manager's personnel.

### **This Year**

The year to 30 June 2012 has been a volatile time for the Company with the Company recording an operating loss of \$17.5 million after tax and being unable to pay an interim or final dividend due to the fall in value of the investment portfolio, which in turn is linked to the difficult state of global markets. The Company has previously stated that future dividend payments were dependent upon future earnings. **Whilst the Company's pre-tax net asset value has risen 3.9% for the six months to 30 June 2012, retained earnings have not recovered to positive territory, hence no dividend was paid.**

The longer-term performance of the Company has been more than satisfactory. Since inception in 1994, the Company's net assets on a pre-tax basis have appreciated 11.1% compound per annum since inception as compared to the return from the MSCI World Index of 3.9% per annum.

**What would the Board like you to do?**

We encourage shareholders to read both the attached Remuneration Report and the AGM Notice of Meeting when this is sent to you in September.

**We encourage shareholders to vote FOR the Remuneration Report resolution, when you receive the AGM Notice of Meeting in September.**

Should the Company receive a "second strike" at this year's AGM, it will incur a significant cost imposition related to the holding of a further extraordinary general meeting of shareholders. This cost is borne by the Company and impacts negatively on the value of your investment.

If you have any further questions or concerns regarding the Remuneration Report, please contact Platinum Investor Services on 1300 726 700 (Australia only), 02 9255 7500, 0800 700 726 (NZ only) or email [invest@platinum.com.au](mailto:invest@platinum.com.au).

Yours faithfully



Bruce J Phillips  
Chairman

# 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.

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% compound per annum on a pre-tax basis, compared to the return from the MSCI of 3.9% per annum. 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 receive 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.

### Remuneration for Non-Executive Directors

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

NAME	CASH SALARY \$	SUPER-ANNUATION \$	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) Directors performs are outlined in the Corporate Governance Statement.

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 <sup>(1)</sup>	2009 <sup>(1)</sup>	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.