

Appendix 4E

Preliminary final report

Listing Rule 4.3A

Company	Platinum Asset Management Limited
ASX Code	PTM
Year Ended	30 June 2010
ABN	13 050 064 287

Results for Announcement to the market

Results for announcement to the market for the Platinum Asset Management Limited Consolidated Group:-

		%	\$A'000
Total revenue	Up	13.15	248,355
Net profit after income tax	Up	8.49	136,852
Diluted EPS			23.33 ¢ps

Dividends

Dividend declared	14 ¢ps fully franked
Record date	30 August 2010
Payable date	22 September 2010

A dividend of 8 ¢ps fully franked was paid on 16 March 2010.

- Refer to the attached audited financial statements.
- Refer to the attached for the Chairman's Report and Managing Director's Letter.

Dividend Reinvestment Plan

Whilst the Company has a Dividend Reinvestment Plan in place, it is not activated.

M Halstead
Secretary
19 August 2010

PLATINUM ASSET MANAGEMENT® LIMITED
ABN 13 050 064 287

ANNUAL REPORT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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Chairman's Report 2010

Performance

The Company has performed reasonably, given the prevailing uncertainty and weakness of the global economy. Funds Under Management ("FUM") increased by \$4.4 billion (31.5%) to \$18.4 billion at 30 June 2010. The increase in FUM comprises net inflows of \$2.5 billion and investment performance of \$1.9 billion. It is pleasing to report this included inflows of some \$1.2 billion of institutional money, which was a management focus highlighted last year.

Our clients' short and long-term investment performance remains strong. The Managing Director's letter details the returns and movement in FUM.

Net profit after tax profit for the year was \$136.9m (2009: \$126.1m), an increase of 8.5%. Diluted earnings per share were 23.33cps (2009:21.62cps). The increase in profit primarily arises from an increase in management fees of 16% to \$217.4m.

Costs

Expenses incurred by Platinum continue to be closely monitored. Costs have increased by 31%, mainly owing to performance related employee remuneration and to the full-year expense relating to a grant of options in June 2009. No options were granted in the 2010 financial year.

Dividend

A fully franked dividend of 14 cents per share will be paid on 22 September 2010.

A fully franked dividend of 8 cents per share was paid on 16 March 2010. The total dividend payout is in line with the Dividend Policy (of paying out 80-90% of net profit after tax) and consistent with our working capital needs.

The Directors are confident that future dividends will be fully franked.

I note that whilst the Company has a Dividend Reinvestment Plan in place, it is not activated and unlikely to be so in the near term.

The Board and its Committees

Both the Remuneration and Audit Committees had a productive year.

Environment

Your Company remains carbon neutral, having purchased carbon credits to offset its carbon emissions.

Conclusion

It is difficult to forecast or predict what will happen to our fee base and profit over the course of the next year, other than to say our relative investment performance when compared to the relevant MSCI indices remains encouraging across all our investment vehicles and we are hopeful this will translate to higher inflows and ultimately higher dividends for shareholders. A particular positive has been the increasing acceptance of our investing style by investment consultants and institutional investors.

Michael Cole
Chairman

Managing Director's Letter to PTM Shareholders

Investment Performance

The investment team at Platinum Asset Management has continued to do a solid job. As is shown by the table below, virtually all of our Funds have beaten their respective benchmarks by a sound margin.

Platinum Trust Funds' Performance (% compound pa, to 30 June 2010)

Fund	1 year	3 years	5 years	10 years
Platinum International Fund	11.8	3.5	8.3	9.1
MSCI All Country World Net Index	7.0	-10.4	-0.9	-3.6
Platinum Unhedged Fund	22.7	3.4	12.7	n/a
MSCI All Country World Net Index	7.0	-10.4	-0.9	n/a
Platinum Asia Fund	14.0	4.2	13.9	n/a
MSCI Asia ex Japan Net Index	16.9	-1.8	9.1	n/a
Platinum European Fund	21.0	-4.6	5.2	7.7
MSCI All Country Europe Net Index	2.0	-14.8	-1.7	-2.8
Platinum Japan Fund	-1.8	-0.3	3.6	4.0
MSCI Japan Net Index	-3.6	-11.9	-2.2	-6.6
Platinum International Brands Fund	32.3	5.2	10.1	13.8
MSCI All Country World Net Index	7.0	-10.4	-0.9	-3.6
Platinum International Health Care Fund	12.2	-0.2	4.0	n/a
MSCI All Country World Health Care Net Index	4.9	-4.9	-1.3	n/a
Platinum International Technology Fund	7.5	2.4	8.2	7.9
MSCI All Country World IT Net Index	10.3	-6.2	-0.1	-11.4

Source: Platinum and MSCI

The Business

There has been a trend over time to consolidate the distribution platforms¹ used by financial planners. Given this backdrop, the ACCC's rejection of the proposed bid by NAB for the retail platform of AXA was an important development. The commonly accepted belief is that these platforms flourish with scale because of the greater spread of overheads in relation to assets. However, in the Australian context our observation is that such consolidation tends to reduce choice and the resulting rise in profitability of platforms has more to do with market dominance than increased efficiency or benefit to the public.

The consequent pressure on manager fees does not perturb us, as we ardently believe that our franchise has been built on a reputation of clear and time-tested business principles, which centre on the creation and preservation of wealth. The emphasis on market share and funds under management is putting the cart before the bull. Further the gradual phasing out of commissions for financial advice, in favour of fees for advice, may see a gradual shift of allegiances. (The legislation may in the meantime discourage switching but ultimately differences in performance do matter!)

¹ These are the record keeping functions supplied by several large financial organisations, like banks and insurance companies, to facilitate the back office workings of financial planners. They allow planners to keep records of super and investment portfolios, to notify fund managers of changes to their clients' portfolios, keep track on distributions, and pay fees and expenses directly from the client's account.

In our view the review of the Superannuation System by Jeremy Cooper makes sensible observations about the public's understanding and engagement regarding compulsory Super. Importantly for Platinum, the panel believes there is no need to change the current workings of Self-Managed Super Funds (SMSF). The proposals relate mostly to streamlining of the record-keeping system and the use of Tax File Numbers to keep track of "lost" contributors/ions. The establishment of a default provider, "My Super" will also have no effect on our opportunities as the panel recognises that fee scales should vary according to the value added by fund managers. We do, however, diverge in our thinking regarding the panel's observation that fees should fall in accordance with the rise of scale of funds under management. We have not been able to observe a positive correlation between scale and performance. To the contrary, we see price as a rationing device.

The Team

The team is working well as can be deduced from the performance table. We continue to bring new members aboard but sadly, not all develop into long-term members. It is a source of frustration that we have not yet found a fault-free way of selecting candidates and this leads to attrition. It is self evident that not all are cut out for the calling of funds management; describing a company is very different from understanding it, painting with numbers does not work particularly well in the hurly-burly exchange of the markets.

Our data and information sharing platform is proving highly valuable for the dissemination of information and the sharing of knowledge. The quantitative templates which are automatically produced remove duplication and expedite data handling. These tools, however, in no way remove the time consuming process of analysing the peculiarities of each stock idea or indeed the germination of ideas. This comes from ability, hard work and a gift of weighing-up the relevant information appropriately.

Costs

Costs have moved up, as we anticipated. Performance related bonuses and advancing seniority being the major contributor. As we suggested last year, the performance bonus is constructed to be self-funding.

Profits

Success in signing up profit sharing investment accounts has started to rebuild our performance fee potential. As you can see this proportion of our funds under management has risen to \$1.1 billion. In addition, our traditional retail base has been very loyal and the firm started to see positive flows from about May of 2009.

Funds Under Management (\$mn, to 30 June 2010)

Fund	Opening Balance (30 June 2009)	Flows	Distribution	Investment Performance	Closing Balance (30 June 2010)
Platinum Trust Funds	10,614	1,867	(70)	1,405	13,816
MLC Platinum Global Fund	1,522	(292)	-	281	1,511
Management Fee Mandates	1,221	128	-	169	1,518
"Relative" Performance Fee Mandates	45	853	-	10	908
"Absolute" Performance Fee Mandates	564	(4)	-	50	610
TOTAL	13,966	2,552	(70)	1,915	18,363

Source: Platinum

With performance fees there is a trade-off: the modest flat fee is complemented by a performance component that will share in the degree to which we are able to outperform the benchmark (MSCI). For these fees to give us a yield equivalent to the standard flat fee, Platinum needs to outperform by approximately 5%. Our historic out-performance over the last 15 years has averaged 10% per annum compound with great variances in between. Do note that this change in the blend of our fee base will introduce lumpiness in our profits. In a good year the upside can be very exciting and vice versa.

Outlook

We do not believe we are in or about to enjoy a secular bull market. We see many obstacles ahead and describe these in our quarterly reports to our investors. With this in mind, creating real value will be unusually challenging. Assisting us though is a maturing team of investment experts and a growing interest among professional investors in our products. As Platinum is an active manager, we are forced to have strong views about the absolute value of companies (investments). This adds to our professional burden as we need from time to time to diverge from the pack. This can add to the risks of the business but to the extent that our judgement prevails, the rewards can be spectacular!

Kerr Neilson
Managing Director

Substantial Shareholders

The following parties have notified the Company that they have a substantial relevant interest in the ordinary shares of Platinum Asset Management Limited as at 17 August 2010:

	Number of Shares	%
J Neilson, K Neilson	323,074,841	57.55
J Clifford, Moya Pty Limited, A Clifford	32,831,449	5.85

Distribution of Securities

	Class of equity security Ordinary
(i) Distribution schedule of holdings	
1-1000	5,136
1,001 - 5,000	13,564
5,001 - 10,000	2,738
10,001-100,000	1,406
100,001 and over	57
Total number of holders	<u>22,901</u>
(ii) Number of holders of less than a marketable parcel	<u>110</u>
(iii) Percentage held by the 20 largest holders	<u>82.63%</u>

Twenty Largest Shareholders

The names of the 20 largest holders of each class of listed equity securities as at 17 August 2010 are listed below:

	Number of Shares	%
Platinum Investment Management Limited	223,896,858	39.89
J Neilson	136,250,000	24.27
JP Morgan Nominees Australia Limited	22,206,881	3.96
Citicorp Nominees Pty Limited	14,101,954	2.51
HSBC Custody Nominees (Australia) Limited	10,808,722	1.93
Charmfair Pty Limited	10,000,000	1.78
Jilliby Pty Limited	10,000,000	1.78
National Nominees Limited	9,311,227	1.66
Cogent Nominees Pty Limited	8,179,384	1.46
J Clifford	5,000,000	0.89
Xetrov Pty Limited	4,000,000	0.71
Citicorp Nominees Pty Limited	3,081,320	0.55
Cogent Nominees Pty Limited	2,303,217	0.41
ANZ Nominees Limited	1,038,689	0.19
AMP Life Limited	864,014	0.15
Warbont Nominees Pty Limited	692,009	0.12
RBC Dexia Investor Services Australia Nominees Pty Limited	565,649	0.10
Smallco Investment Manager Limited	537,518	0.10
Questor Financial Services Limited	500,521	0.09
S Gilchrist	479,651	0.08

Voting Rights

Ordinary Shares

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

Platinum's Commitment to Carbon Neutrality

Platinum Asset Management remains carbon neutral, having purchased carbon credits to offset its carbon emissions.

Distribution of Annual Report to Shareholders

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

Questions for the AGM

If you would like to submit a question prior to the AGM for it to be addressed at the AGM, please e-mail your question to invest@platinum.com.au.

Financial Calendar

Ordinary Shares trade ex-dividend	24 August 2010
Record (books close) date for dividend	30 August 2010
Dividend paid	22 September 2010
Annual General Meeting	5 November 2010

These dates are indicative and may be changed

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Platinum Asset Management Limited (the "**Company**") and the entities it controlled at the end of, or during, the year ended 30 June 2010.

Directors

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

Michael Cole	Chairman and Non-Executive Director
Bruce Coleman	Non-Executive Director
Margaret Towers	Non-Executive Director
Kerr Neilson	Managing Director
Malcolm Halstead	Finance Director and Company Secretary

Principal Activity

The Company is the non-operating holding company of Platinum Investment Management Limited.

Platinum Investment Management Limited, trading as Platinum Asset Management, operates a funds management business.

Trading Results

The profit after tax of the consolidated entity for the year was \$136,852,000 (2009: \$126,145,000) after income tax expense of \$61,540,000 (2009: \$55,267,000).

Dividends

Since the end of the financial year, the Directors have declared a 14 cents per share (\$78,589,000) fully franked dividend payable to shareholders on 22 September 2010.

A fully franked dividend of 8 cents per share (\$44,880,000) was paid on 16 March 2010.

A fully franked dividend of 12 cents per share (\$67,320,000) was paid on 22 September 2009.

Review of Operations

The consolidated profit before tax was \$198,392,000 (2009: \$181,412,000).

Changes in the State of Affairs

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

Events Subsequent to the End of the Financial Year

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in this report or financial statements that has significantly affected 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 continues to pursue its business objectives, by continuing to be the holding company of the Platinum Asset Management funds management business. The methods of operating the consolidated entity are not expected to change in the foreseeable future.

Rounding of Amounts

The consolidated entity 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 consolidated entity is not adversely impacted by any particular or significant environmental regulations under a Commonwealth, State or Territory Law.

Auditor

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

DIRECTORS' REPORT continued

Non-Audit Services

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

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.

	2010	2009
	\$	\$
Audit services - statutory	271,775	260,508
Taxation services - compliance	466,100	454,417
Taxation services - foreign tax agent	18,149	69,527
Other audit and assurance services	31,174	5,958
Advisory services - restructuring and related costs*	227,265	354,285
Total	1,014,463	1,144,695

*For 2010, the advisory services provided by PricewaterhouseCoopers predominantly related to legal work associated with the payment of stamp duty, arising from the restructure of the Company, prior to the offer of shares to the public in the 2007 IPO.

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 7.

Information on Directors

Michael Cole B Econ, MEcon, FFin

Independent Non-Executive Director, Chair and member of the Audit and Remuneration Committees since 10 April 2007. (Age 62)

Mr Cole has over 32 years experience in the investment banking and funds management industry. He was an Executive Director/Executive Vice President at Bankers Trust Australia for over 10 years. Mr Cole is Chairman of Ironbark Capital Limited and IMB Limited. Mr Cole is a Director of Challenger Listed Investments Limited.

Bruce Coleman BSc, BCom, CA, FFin

Independent Non-Executive Director, Chair of the Remuneration Committee and member of the Audit Committee since 10 April 2007. (Age 60)

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 National Australia Banking groups. Mr Coleman is a Director of Platinum Capital Limited.

Margaret Towers CA, GAICD

Independent Non-Executive Director, Chair of the Audit Committee and member of the Remuneration Committee since 10 April 2007. (Age 52)

Ms Towers is a Chartered Accountant with over 28 years experience in the financial markets. She was formerly an Executive Vice President at Bankers Trust Australia. Ms Towers currently acts as an independent consultant to a number of Australian Financial Institutions. She was previously with Price Waterhouse.

Kerr Neilson BCom (UCT), ASIP

Managing Director since 12 July 1993. (Age 60)

Mr Neilson was appointed as Managing Director upon incorporation. He is the Managing Director of Platinum Investment Management Limited and Platinum Capital Limited. Prior to Platinum, Mr Neilson was an Executive Vice President at Bankers Trust Australia. Previously he worked in both the UK and South Africa as an investment analyst and fund manager.

Malcolm Halstead CA

Finance Director and Company Secretary since 20 February 2007. (Age 52)

Mr Halstead has been a Director of Platinum Investment Management Limited and Platinum Capital Limited since their formation in 1994.

Prior to Platinum, Mr Halstead was a Vice President at Bankers Trust Australia. Previously he was with Price Waterhouse, Sydney and Jolliffe Cork, London.

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 2010.

Name	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
	while a Director		while a member		while a member	
M Cole	4	4	4	4	4	4
B Coleman	4	4	4	4	4	4
M Towers	4	4	4	4	4	4
K Neilson	4	2	-	-	-	-
M Halstead	4	4	-	-	-	-

Remuneration Report (audited)

Principles used to determine the nature and amount of remuneration

The Executive Directors review and determine the remuneration of the Non-Executive Directors and may utilise the services of external advisors.

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

The remuneration of the Directors is not linked to the performance or earnings of the Company or consolidated entity.

Directors' fees

Non-Executive Directors' base remuneration is reviewed annually.

DIRECTORS' REPORT continued

Retirement benefits for Directors

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

Other benefits (including termination) and incentives

No other benefits and incentives (other than those disclosed below) are paid to Directors.

Details of remuneration

Non-Executive Directors

All remuneration of the Non-Executive Directors is paid by Platinum Investment Management Limited. The Non-Executive Directors received the following amounts during the financial year.

Name	Short-term Benefits	Post-employment	Total
	Salary	Benefits Superannuation	
	\$	\$	\$
M Cole	200,000	14,461	214,461
B Coleman	175,000	14,461	189,461
M Towers	175,000	14,461	189,461
<i>Total remuneration</i>	<u>550,000</u>	<u>43,383</u>	<u>593,383</u>

Executive Directors

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

Other than those disclosed below, there are no employees who hold an executive position within the Company.

Key management personnel compensation

The Executive Directors (K Neilson and M Halstead) are employed by Platinum Investment Management Limited and receive their remuneration from Platinum Investment Management Limited.

AASB 124 requires compensation provided by the Company or on behalf of the Company to be disclosed.

A portion of the compensation paid by Platinum Investment Management Limited to its employees is in relation to managing the affairs of the Company. Platinum Investment Management Limited has not made any determination as to what proportion of its employees' compensation relates to the Company. Platinum Investment Management Limited paid: K Neilson a salary of \$364,468 (2009: \$313,756) and superannuation of \$49,993 (2009: \$99,989) and M Halstead a salary of \$314,468 (2009: \$263,756), and superannuation of \$49,993 (2009: \$99,989).

For the full financial year, A Clifford was a Director of the operating subsidiary, Platinum Investment Management Limited. A Clifford was paid a salary of \$339,464 (2009: \$313,747) and a bonus of \$630,000 (2009: \$nil), superannuation of \$24,997 (2009: \$49,997) and share-based compensation as disclosed below.

Platinum Investment Management Limited provided for an increase in long service leave as follows: K Neilson \$7,258 (2009: \$12,753), M Halstead \$5,980 (2009: \$10,339) and A Clifford \$7,216 (2009: \$12,926) and provided for an increase/(decrease) in annual leave as follows: K Neilson (\$13,793) (2009: (\$1,282)), M Halstead (\$20,115) (2009: (\$3,803)), and A Clifford (\$4,023) (2009: (\$17,213)).

Relevant interests of Non-Executive and Executive Directors in shares

The relevant interest in ordinary shares of the Company that each Director has at balance date is as follows:

Name	Balance 1-Jul-09	Acquisitions	Disposals	Balance 30-Jun-10
M Cole	300,000	-	-	300,000
B Coleman	200,000	-	-	200,000
M Towers	20,000	-	-	20,000
K Neilson	322,074,841	-	-	322,074,841
M Halstead	22,834,931	-	5,836,932	16,997,999

Share-based compensation

No options or performance rights have been granted to any Non-Executive or Executive Directors of the Company, in the financial year.

On 17 June 2009, A Clifford was granted 3,844,350 options. No options were granted in the 2010 financial year.

The options were granted at a strike price of \$4.50. The options vest after four years and have a further two year exercise period.

The assessed fair value of options granted on 17 June 2009 was \$1.14 per option.

The share-based payments expense relating to this grant to A Clifford was \$1,091,795 (2009: \$41,820).

The Executive Directors did not receive any other short-term or long-term incentives, other than what is disclosed above.

DIRECTORS' REPORT continued

Service agreements

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

M Cole, Chairman and Non-Executive Director

- Agreements have no termination date. Tenure is subject to approval by shareholders at every third AGM.
- Base annual salary, inclusive of superannuation is \$214,461.

B Coleman, Non-Executive Director

- Agreements have no termination date. Tenure is subject to approval by shareholders at every third AGM.
- Base annual salary, inclusive of superannuation is \$189,461.

M Towers, Non-Executive Director

- Agreements have no termination date. Tenure is subject to approval by shareholders at every third AGM.
- Base annual salary, inclusive of superannuation is \$189,461.

Directors' Interests in Contracts

The Directors receive remuneration and dividends which are ultimately derived from the net income arising from Platinum Investment Management Limited's investment management contracts.

Directors' Insurance

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

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

Michael Cole
Chairman

Kerr Neilson
Director

Sydney
19 August 2010

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Auditor's Independence Declaration

As lead auditor for the audit of Platinum Asset Management Limited and its controlled entities for the year ended 30 June 2010, 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 Asset Management Limited and its controlled entities during the period.

A J Loveridge
Partner
PricewaterhouseCoopers

Sydney
August 2010

CORPORATE GOVERNANCE STATEMENT

The following provides a summary of the main corporate governance practices adopted by the Board, and exercised throughout the year, for the Company.

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

Company policies, Charters and codes referred to in this Statement are provided in the 'Shareholder Corporate Governance' section of the Company's website at www.platinum.com.au ("**Company's website**").

The Company and its controlled entities together are referred to as "**the Group**" in this Statement.

1. The Board of Directors

Members: M Cole (Chair), B Coleman, M Towers, K Neilson and M Halstead

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

1.1 Role of the Board

The role of the Board is to oversee the activities of the Executive Directors, ensuring the Company operates in compliance with its regulatory environment and good corporate governance practices are adopted.

1.2 Responsibilities of the Board

The principal responsibilities of the Board include:

- . considering and approving the strategy of the Company;
- . monitoring the performance and financial position of the Company;
- . overseeing the integrity of the Group's financial accounts and reporting;
- . assessing the performance of management and itself;
- . reviewing the operations and findings of the Company's risk management, compliance and control frameworks; and
- . monitoring the Company's compliance with regulatory, legal and ethical standards.

1.3 Structure of the Board

The Board currently comprises five Directors: three Non-Executive Directors (M Cole, B Coleman and M Towers) and two Executive Directors (K Neilson and M Halstead).

Details on the background, experience and professional skills of each Director are set out on page 4 of the Directors' Report.

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

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

The Managing Director is responsible for the management and operation of the Company. Those powers not specifically reserved to the Board under its Charter and which are required for the management and operation of the Company, are conferred on the Managing Director.

1.4 Director Independence

The Non-Executive Directors of the Company have been assessed as independent. In reaching its decision, the Board has taken into account the factors outlined below.

The Board regularly assess the independence of each Director. For this purpose an Independent Director is a Non-Executive Director whom 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 exercises of unfettered and independent judgement.

Directors must disclose any person 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. Each Director is involved with other companies or professional firms which may from time to time have dealings with the Company.

Details of offices held by Directors with other organisations are set out on page 4 of the Directors' Report. Full details of related party dealings are set out in the notes to the Company's accounts as required by law.

In assessing whether Directors are independent, the Board takes into account (in addition to the matters set out above):

- . the specific disclosures made by each Director as referred to above;
- . where applicable, the related party dealings referable to each Director, noting whether those dealings are 'material';
- . whether a Director is (or is associated directly with) a substantial shareholder of the Company;
- . whether the Director has ever been employed by the Group;
- . whether the Director is (or is associated with) a 'material' professional adviser, consultant, supplier, or customer of, the Group; and
- . whether the Director personally carries on any role for the Group otherwise 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 a 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.

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.

CORPORATE GOVERNANCE STATEMENT continued

Materiality

The Board determines 'materiality' on both a quantitative and qualitative basis. An item that 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. These quantitative measures, however, 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.

1.5 Selection and appointment of Directors

Recommendation 2.4 of the Governance Principles provides that "the board should establish a nomination committee". Given the size of the Company and the Board, 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.

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

- . the candidate's competencies, qualifications and expertise and his/her fit with the current membership of the Board;
- . the candidate's knowledge of the industry in which the Company operates;
- . directorships previously held by the candidate and his/her current commitments to other boards and companies;
- . existing and previous relationships with the Company and Directors;
- . the candidate's independence status and the need for a majority 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 their last election.

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

1.6 Access to Information and Independent Advice

All Directors have unrestricted access to records and information of the Group.

Non-executive Directors regularly receive updates and reports from Management.

The Board of Directors' Charter provides that the Directors may (in connection with their duties and responsibilities) seek independent professional advice at the Company's expense, after first notifying the Board. The Board will review the estimated costs for reasonableness, but will not impede the seeking of advice.

1.7 Performance Assessment

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 Committees.

These assessments were undertaken.

As a result of these assessments, the Board may implement changes to improve the effectiveness of the Board and corporate governance structures.

2. Board Committees

The Board has established a number of committees to assist in the execution of its duties and (from time to time) to deal with matters of special importance. Each Committee has a documented and approved Charter under which authority is delegated from the Board.

2.1 Audit Committee

Members: M Towers (Chair), M Cole, and B Coleman.

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

- . review the financial information presented by Management;
- . consider the adequacy and effectiveness of the Company's administrative, operating and accounting controls as a means of ensuring the Company's affairs are being conducted by management in compliance with legal, regulatory and policy requirements;
- . review any significant compliance issues affecting the Company and monitor actions taken by management;
- . review recommendations from the Finance Director and/or external Auditor on key financial and accounting principles to be adopted by the Company; and
- . recommend to the Board the appointment of external auditors and monitor the conduct of audits.

All members of the Committee are Independent Non-Executive Directors.

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

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

CORPORATE GOVERNANCE STATEMENT continued

2.2 Remuneration Committee

Members: B Coleman (Chair), M Cole, and M Towers.

The Committee advises the Board on remuneration and incentive policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors.

Members of the Remuneration Committee have access to the Company's officers and advisers, and may consult independent experts where the Committee considers it necessary to carry out its duties.

Remuneration Policies

Remuneration for the Executive Directors consists of salary, bonuses or other elements. Any equity based remuneration for Executive Directors will be subject to Shareholder approval where required by ASX Listing Rules.

Remuneration for Non-Executive Directors must not exceed in aggregate a maximum sum which shareholders fix in general meeting. The current maximum aggregate amount fixed by shareholders is \$2 million per annum (including superannuation contributions). This amount was fixed by Shareholders at the 10 April 2007 general meeting.

Executive and Non-Executive Directors may also be reimbursed for their expenses properly incurred as Directors. Further information is provided in the Remuneration Report.

Remuneration Paid

Remuneration paid to the Executive and Non-Executive Directors for the 2009/2010 reporting year is set out on pages 4 to 6 of the Directors' Report.

3. Company Auditors

The policy of the Board is to appoint auditors who clearly demonstrate 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 Auditor in 2007. 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 break-down 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 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.

4. Company Policies

4.1 Directors' Code of Conduct

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

4.2 Trading in Company Securities

All Directors and staff of the Group must comply with the Company's Share Trading Policy. In summary, the policy prohibits trading in the Company securities:

- . when aware of unpublished price-sensitive information;
- . from the first day of the month until announcement of the Company's monthly funds under management figure to the ASX;
- . from 1 January (each year) until announcement of the Company's half-yearly financial results to the ASX;
- . from 1 July (each year) until announcement of the Company's annual financial results to the ASX; and
- . during any other black-out period (as notified).

Directors and staff are prohibited from entering into transactions in associated products which operate to limit the economic risk of holding PTM shares over unvested entitlements.

4.3 Financial Reporting

In respect of the year ended 30 June 2010, 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 the Group and are in accordance with relevant Accounting Standards.
- . The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

CORPORATE GOVERNANCE STATEMENT continued

4.4 Continuous Disclosure

The Board is committed to:

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

The Company Secretary is responsible for coordinating the disclosure of information to Regulators and shareholders, and ensuring that any notifications/reports to the ASX are promptly posted on the Company's website.

4.5 Shareholder Communication

The Board has adopted a Communications Plan which describes the Board's policy for ensuring that 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 Financial 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.

4.6 Risk Management and Compliance

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

- . there are effective systems in place to identify, assess, monitor and manage the risks of the Company; and
- . internal controls and arrangements are adequate for monitoring compliance with laws and regulations applicable to the Company.

The Group has implemented risk management and compliance frameworks based on AS/NZS 31000:2009 *Risk Management Principles and Guidelines* and AS 3806-2006 *Compliance Programs*. These frameworks (together with the Group'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 laws (applicable to the Company) and the Group's policies (including business rules of conduct) is communicated and demonstrated.

Management reports periodically to the Audit Committee and the Board on the effectiveness of the Group's risk management and compliance frameworks.

4.7 Business Rules of Conduct

Platinum's Business Rules of Conduct ("**BROC**") applies to all staff of the Group. It communicates the appropriate standards of behaviour, provides a framework for the workplace, and informs staff of their responsibilities with respect to legal compliance, confidentiality and privacy, conflicts of interest, investment activities and operational processes.

Compliance is monitored by the Compliance team. Regular training sessions are provided by the Compliance Manager.

All employees are required to sign an annual declaration confirming their compliance with the BROC and the Group's policies.

Statement of Comprehensive Income
For the Year ended 30 June 2010

	Notes	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Income			
Management fees		217,398	187,447
Performance fees		10,702	6,171
Administration fees		11,155	9,431
Interest		8,024	9,712
Net gains on financial assets at fair value through profit or loss		1,328	240
Net (losses) on foreign currency contracts		(17)	(1,125)
Net gains/(losses) on foreign currency bank accounts		(258)	7,442
Other investment		23	166
Total income		248,355	219,484
Expenses			
Staff		18,781	15,428
Custody and unit registry		11,330	9,195
Share-based payments	7	6,611	2,575
Business development		5,568	3,397
Research		1,494	1,368
Rent and other occupancy		1,447	1,398
Technology		1,089	837
Restructuring and related costs		568	505
Legal and compliance		553	544
Other professional		509	780
Miscellaneous		456	458
Depreciation		417	430
Share registry		388	362
Mail house		284	299
Auditor's remuneration		272	261
Periodic reporting		196	235
Total expenses		49,963	38,072
Profit before income tax expense		198,392	181,412
Income tax expense	2(a)	61,540	55,267
Profit after income tax expense		136,852	126,145
Other comprehensive income		-	-
Total comprehensive income for the year		136,852	126,145
Basic earnings per share (cents per share)	9	24.39	22.49
Diluted earnings per share (cents per share)	9	23.33	21.62

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

Balance Sheet
As at 30 June 2010

	Notes	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Current assets			
Financial assets at fair value through profit or loss		663	59
Cash and cash equivalents	12(a)	29,758	14,269
Term deposits and bank certificates of deposit		194,128	165,332
Trade receivables		21,446	24,295
Interest receivable		3,062	3,835
Prepayments		956	1,027
Total current assets		250,013	208,817
Non-current assets			
Deferred tax assets	2(b)	2,030	3,078
Fixed assets	3	2,550	2,660
Total non-current assets		4,580	5,738
Total assets		254,593	214,555
Current liabilities			
Payables	4	11,418	7,048
Current tax payable		15,204	10,418
Provisions	5	1,626	1,802
Total current liabilities		28,248	19,268
Non-current liabilities			
Deferred tax liabilities	2(c)	921	1,145
Provisions	5	26	7
Total non-current liabilities		947	1,152
Total liabilities		29,195	20,420
Net assets		225,398	194,135
Equity			
Contributed equity	8(a)	629,091	629,091
Reserves	8(b)	(573,126)	(579,737)
Retained profits	10	169,433	144,781
Total equity		225,398	194,135

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

Statement of Changes in Equity
For the Year ended 30 June 2010

	Contributed Equity \$'000	Reserves \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 July 2008	629,091	(582,312)	130,836	177,615
Total comprehensive income for the year	-	-	126,145	126,145
Transactions with equity holders in their capacity as equity owners:				
Share-based payments	-	2,575	-	2,575
Dividends paid	-	-	(112,200)	(112,200)
Balance at 30 June 2009	629,091	(579,737)	144,781	194,135
Total comprehensive income for the year	-	-	136,852	136,852
Transactions with equity holders in their capacity as equity owners:				
Share-based payments	-	6,611	-	6,611
Dividends paid	-	-	(112,200)	(112,200)
Balance at 30 June 2010	629,091	(573,126)	169,433	225,398

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

Statement of Cash Flows
For the Year ended 30 June 2010

	Notes	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Cash flow from operating activities			
Interest received		8,797	5,953
Receipts from operating activities		242,111	197,473
Payments for operating activities		(38,638)	(34,270)
Income taxes paid		(55,930)	(54,732)
Cash flow from operating activities	12(b)	156,340	114,424
Cash flow from investing activities			
Receipts from sale of investments		14,010	21,129
Payments for purchases of investments		(13,491)	(13,982)
Purchase of fixed assets		(311)	(348)
Proceeds on maturity of term deposits and bank certificates of deposit		167,315	-
Purchase of term deposits and bank certificates of deposit		(196,111)	(165,332)
Cash flow from investing activities		(28,588)	(158,533)
Cash flow from financing activities			
Dividends paid		(112,194)	(112,194)
Cash flow from financing activities		(112,194)	(112,194)
Net increase/(decrease) in cash and cash equivalents		15,558	(156,303)
Cash and cash equivalents held at the beginning of the financial year		14,269	171,160
Effects of exchange rate changes on cash and cash equivalents		(69)	(588)
Cash and cash equivalents held at the end of the financial year		29,758	14,269

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

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 includes the financial statements for Platinum Asset Management Limited as a consolidated entity, consisting of Platinum Asset Management Limited and its subsidiaries. The *Corporations Amendment (Corporate Reporting Reform) Act 2010*, became effective from 1 July 2010, and allows entities that present consolidated financial statements, to no longer have to present separate parent entity financial statements. The Company and consolidated entity have applied this change for the 30 June 2010 accounts.

The financial report was authorised for issue by the Directors of the Company on 19 August 2010.

The Directors have the power to amend the financial statements after issue.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including AASB 101: *Presentation of Financial Statements*), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS).

Compliance with AIFRS ensures that the consolidated financial statements, and notes thereto, comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

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

Critical Accounting Estimates

The preparation of the financial statements, in conformity with AIFRS, requires the use of certain critical accounting estimates and judgements, of which other than what is included in the accounting policies below, there are none.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Platinum Asset Management Limited (the "Company") as at 30 June 2010 and the results of all controlled entities for the year then ended. Platinum Asset Management Limited and its subsidiaries together are referred to in this financial report as "the consolidated entity" or "Group".

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of voting rights. The existence or effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Where control of an entity is obtained during the financial year, its results are included in the consolidated Balance Sheet from the date control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

The effects of all transactions between entities in the consolidated entity are eliminated in full. Accounting policies of various companies within the consolidated entity have been changed to ensure consistency with those policies adopted by the consolidated entity.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Comprehensive Income and Balance Sheet. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group's policy is to treat transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests the difference between any consideration paid and the relevant share acquired of the carrying net assets of the subsidiary is deducted from equity.

(c) Income Tax

The income tax expense 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.

Tax Consolidation Legislation

In accordance with the (Australian) *Income Tax Assessment Act (1997)*, Platinum Asset Management Limited is the head entity of the tax consolidated group which includes Platinum Asset Management Limited, Platinum Asset Pty Limited, Platinum Investment Management Limited and McRae Pty Limited.

Any current tax liabilities of the consolidated group are accounted for by Platinum Asset Management Limited.

Current tax expense and deferred tax assets and liabilities are determined on a consolidated basis and recognised by the consolidated entity.

(d) Financial Assets at Fair Value through Profit or Loss

Under AASB 139: *Financial Instruments: Recognition and Measurement*, investments are classified in the Balance Sheet as "financial assets at fair value through profit or loss". These financial assets are initially recognised at fair value, excluding transaction costs, which are expensed as incurred.

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 in which they arise.

(e) Transaction Costs

Initial measurement (cost) on acquisition of trading securities shall not include directly attributable transaction costs such

as fees and commissions paid to agents. Incremental transaction costs are expensed as incurred in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2010

(f) Foreign Currency Translation

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

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

(g) Revenue Recognition

Management, Administration and Performance Fees

Management, Administration and Performance fees are included as part of operating income and are recognised as they are earned. The majority of management fees are derived from the Platinum Trust Funds. This fee is calculated at 1.44% per annum (GST inclusive) of each Fund's Net Asset Value and is payable monthly.

Interest Income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method, which allocates income over the relevant period.

Dividend Income

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

(h) Directors' Entitlements

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

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

(i) Cash and Cash Equivalents

In accordance with AASB 107: *Statement of Cash Flows*, cash includes deposits at call and cash at bank which are used to meet short-term cash requirements. Cash equivalents includes short-term deposits of three months or less from the date of acquisition, which are readily convertible into cash. Cash and cash equivalents at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related item in the Balance Sheet.

At 30 June 2010, the Group also holds term deposits that have maturities of more than three months from the date of acquisition. Under AASB 107, deposits which have maturities of more than three months are not included as part of "cash and cash equivalents" and have been disclosed separately in the Balance Sheet. All term deposits are held with licensed Australian banks.

Receipts from operating activities include Management, Administration and Performance fees receipts. Payments for operating activities include payments to suppliers and employees.

(j) Receivables

All receivables are recognised as and when they are due.

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

(k) Payables

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

(l) Provision for Employee Entitlements

A provision for employee entitlements is recognised by the Group when there is an obligation to the employee. This is consistent with the legal position of the parties to the employment contract. Provision for employee entitlements to salaries, salary-related costs, annual leave and sick leave are accrued at nominal amounts calculated on the basis of current salary rates.

Provision for long service leave which are not to be paid or settled within 12 months of balance date, are accrued at the present values of future payments. Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

(m) Share-Based Payments

The Group operates share-based remuneration plans, which include the granting of options and performance rights. The Group also operates a Fund Appreciation Rights Plan (FARP) whereby it purchases shares in Platinum Asset Management Limited on behalf of employees, if the employee satisfies, principally a time-based vesting condition. The value of shares purchased will be equivalent to a notional value in the Platinum Trust Funds, notionally allocated to employees and adjusted for the accumulated performance of the Funds over the vesting period.

Share-based payments are granted to some employees of the Company's operating subsidiary, Platinum Investment Management Limited.

Details relating to Share-based payments are set out in Note 7.

AASB Interpretation 11 AASB 2: *Group and Treasury Share Sale Transactions* addresses whether certain types of share-based payment transactions should be accounted for as equity-settled or as cash-settled transactions and specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent. The Group applies this Standard with the impact being that the expense related to grants made during the year is recognised in the employing entity.

The fair value of share-based payments granted is recognised in the consolidated accounts as an expense with a corresponding increase in equity. The fair value is measured at grant date and amortised over the period during which the employees become unconditionally entitled to the share.

For options and performance rights, the fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option or right, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options or performance rights.

For shares to be purchased on behalf of employees, the fair value is measured based on the notional investment in the Platinum Trust Funds. The fair value is subsequently amortised on a straight-line basis over the applicable vesting period and adjusted at each balance date for accumulated investment performance.

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2010

(m) Share-Based Payments (cont'd)

At each balance date, the Group revises its estimates of the number of options and performance rights exercisable and shares to be purchased on behalf of employees. The share-based payments expense recognised each period takes into account the most recent estimate. The impact of any revision to the original estimate (eg, forfeitures) will be recognised in the Statement of Comprehensive Income with the corresponding adjustment to equity.

(n) Contributed Equity

Ordinary shares are classified as equity.

(o) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to equity holders by the weighted average number of shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figure used to determine basic earnings per share to take into account the options and performance rights issued, but not vested, under the Options and Performance Rights Plan (OPRP) (see Note 9).

(p) Depreciation

Fixed assets are stated at historical cost less depreciation. Fixed assets (other than in-house software) are depreciated over their estimated useful lives using the diminishing balance method.

The expected useful lives are as follows:

Computer Equipment	4 years
Software	2.5 years
In-house Software	4 years
Communications Equipment	4 - 20 years
Office Fitout	5 - 13 1/3 years
Office Furniture and Equipment	5 - 13 1/3 years

Gains and losses on disposals are included in the Statement of Comprehensive Income.

(q) Operating Leases

Platinum Investment Management Limited has entered into a lease agreement for the premises it occupies and pays rent on a monthly basis. Payments made under the operating lease are charged to the Income Statement. Details of the financial commitments relating to the lease are included in Note 16.

(r) Rounding of Amounts

The consolidated entity 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 to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(s) Goods and Services Tax (GST)

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

Cash flows are presented on a gross basis.

(t) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. The Company's and consolidated entity's 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* (effective for annual periods beginning on or after 1 January 2013)

AASB 9: *Financial Instruments* provides revised guidance on the classification and measurement of financial assets. The requirements of this standard represents 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 or consolidated entity as its equity instruments are already recognised at fair value. The Company and consolidated entity will apply the revised standard from 1 July 2013

(ii) AASB 2009-8: *Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions (AASB 2)* (effective from 1 January 2010)

This standard amends AASB 2: *Share-based Payment* and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2: *Group and Treasury Share Transactions*.

The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services regardless of which entity in the group settles the transaction, and regardless of whether the transaction is settled in shares or cash. The standard is consistent with the Company and consolidated entity's existing policies. The Company and consolidated entity will apply the amended standard from 1 July 2010.

(iii) AASB 2009-5: *Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project* (effective from 1 January 2010)

In May 2009, the AASB issued a number of improvements to AASB 5: *Non-current Assets Held for Sale and Discontinued Operations*, AASB 8: *Operating Segments*, AASB 101: *Presentation of Financial Statements*, AASB 107: *Statement of Cash Flows*, AASB 117: *Leases*, AASB 118: *Revenue*, AASB 136: *Impairment of Assets* and AASB 139: *Financial Instruments, Recognition and Measurement*.

The Company and consolidated entity's do not expect that any adjustments will be necessary as a result of applying the revised rules. The Company and consolidated entity will apply the revised standards from 1 July 2010.

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2010

(t) New Accounting Standards and Interpretations (cont'd)(iv) Revised AASB 124 *Related Party Disclosures* (effective for annual periods beginning on or after 1 January 2011).

The revised AASB 124 simplifies the definition of a "related party", clarifying its intended meaning and eliminating inconsistencies from the definition. The standard would not impact on the disclosures contained in the financial report.
The Company and consolidated entity will apply the revised standard from 1 July 2011.

(v) AASB 2009-12 *Amendments to Australian Accounting Standards* AASB's 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031; and Interpretations 2, 4, 16, 1039 and 1052 (effective for annual periods beginning on or after 1 January 2011).

The standard contains a variety of "editorial corrections", many of which reflect changes made to the text of equivalent IFRSs by the IASB. These changes will have no impact or effect on the financial report of the Company and consolidated entity.
The Company and consolidated entity will apply the revised standards from 1 July 2011.

2. INCOME TAX

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
(a) The income tax expense attributable to profit comprises:		
Current income tax provision	60,718	52,705
Deferred tax assets	1,048	1,405
Deferred tax liabilities	(224)	1,145
Under/(Over) provision of prior period tax	(2)	12
Income tax expense	61,540	55,267

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

Profit before income tax expense	198,392	181,412
Prima facie income tax on profit at 30%	59,518	54,424
Tax effect on amounts which:		
Reduce tax payable:		
- Allowable credits	(1)	(3)
- Non-assessable income	(1)	-
Tax-effect of amounts which are non-deductible		
Increase tax payable:		
- Share-Based Payments	1,983	772
- Depreciation	41	59
- Other non-deductible expenses	2	3
Under/(Over) provision of prior period tax	(2)	12
Income tax expense	61,540	55,267

(b) Deferred tax assets

The balance comprises temporary differences attributable to:

Capital expenditure not immediately deductible	1,204	2,027
Employee entitlements:		
- Long service leave	245	305
- Annual leave	243	236
Unrealised foreign exchange losses	21	176
Legal fees	105	105
Tax fees	85	87
Periodic reporting	40	58
Audit and accounting	50	44
Printing and mail house	27	27
Fringe benefits tax	2	4
Unrealised capital losses	-	4
Shareholder relations	-	3
Payroll tax	8	2
Deferred tax assets	2,030	3,078

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2010

2. INCOME TAX (cont'd)

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
(c) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Interest receivable on term deposits and bank certificates of deposit	916	1,145
Unrealised capital gains	5	-
Deferred tax liabilities	921	1,145

3. FIXED ASSETS

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Computer equipment (at cost)	780	632
Less: Accumulated depreciation	(608)	(547)
	172	85
Purchased and capitalised software (at cost)	2,379	2,270
Less: Accumulated depreciation	(1,703)	(1,482)
	676	788
Communication equipment (at cost)	120	132
Less: Accumulated depreciation	(85)	(106)
	35	26
Office premises fit out (at cost)	1,696	1,696
Less: Accumulated depreciation	(269)	(210)
	1,427	1,486
Office furniture and equipment (at cost)	476	473
Less: Accumulated depreciation	(236)	(198)
	240	275
	2,550	2,660

Asset Movements during the year

	Consolidated Computer equipment 2010 \$'000	Consolidated Computer equipment 2009 \$'000	Consolidated Purchased and capitalised software 2010 \$'000	Consolidated Purchased and capitalised software 2009 \$'000
Opening	85	114	788	728
Additions	149	43	130	298
Disposals	-	-	(1)	-
Depreciation expense	(62)	(72)	(241)	(238)
Closing balance	172	85	676	788

	Communications equipment 2010 \$'000	Communications equipment 2009 \$'000	Office premises fit out 2010 \$'000	Office premises fit out 2009 \$'000
Opening	26	39	1,486	1,550
Additions	30	2	-	-
Disposals	(3)	-	-	-
Depreciation expense	(18)	(15)	(59)	(64)
Closing balance	35	26	1,427	1,486

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2010

3. FIXED ASSETS (cont'd)

	Consolidated Office furniture and equipment 2010 \$'000	Consolidated Office furniture and equipment 2009 \$'000
Opening	275	311
Additions	2	5
Disposals	-	-
Depreciation expense	(37)	(41)
Closing balance	240	275

The closing balance of purchased and capitalised software disclosed above includes amounts recognised in relation to software in the course of construction and development of \$8,000 at 30 June 2010 (2009: \$132,000).

4. PAYABLES

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Current		
Trade creditors	9,613	5,595
Goods and Services Tax (GST)	1,658	1,312
Unclaimed dividends payable to shareholders	147	141
	11,418	7,048

Trade creditors are unsecured and payable between seven and 30 days after the consolidated entity becomes liable. Information relating to the consolidated entity's exposure of payables to liquidity risk is shown in Note 18.

5. PROVISIONS

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Current		
Long service leave	816	1,015
Annual leave	810	787
	1,626	1,802

Non-Current

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Payroll tax	26	7
	26	7

6. FRANKING ACCOUNT

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Opening balance based on tax paid and franking credits attached to dividends paid - converted at 30%	98,276	93,627
Dividends paid - franked at 30%	(48,086)	(48,086)
Tax paid or payable	60,717	52,735
Estimated franking credits available	110,907	98,276

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2010

7. SHARE-BASED PAYMENTS

(a) Options and Performance Rights Plan (OPRP)

On 22 May 2007, the Group established an OPRP to assist with the retention and motivation of employees. Options were granted under this plan on 22 May 2007 and 17 June 2009.

Options

On 22 May 2007, some employees were initially granted 27,010,467 options under the OPRP, to take up shares in Platinum Asset Management Limited at a strike price of \$5.00. The options vest after four years and have a further two year exercise period.

On 17 June 2009, some employees were granted 8,783,205 options under the OPRP to take up shares in Platinum Asset Management Limited at a strike price of \$4.50. The options vest after four years and have a further two year exercise period.

Performance Rights

On 22 May 2007, some employees who were not granted options under the OPRP, were granted performance rights to take up Platinum Asset Management Limited shares at a strike price of \$0.00. These performance rights vested after three years and had a further two year exercise period. Employees were initially granted 372,703 performance rights. No performance rights have been granted since 2007.

All performance rights that were granted to employees (net of forfeitures) vested on 22 May 2010.

Options and performance rights on issue are as follows:

	2010 Quantity	2009 Quantity
<i>Options Granted on 22 May 2007</i>		
Opening balance	16,547,817	23,139,567
Forfeitures - 24 October 2008	-	(981,750)
Forfeitures - 8 May 2009	-	(5,610,000)
Closing balance	<u>16,547,817</u>	<u>16,547,817</u>
<i>Options Granted on 17 June 2009</i>		
Opening balance	8,783,205	-
Grant - 17 June 2009	-	8,783,205
Closing balance	<u>8,783,205</u>	<u>8,783,205</u>
<i>Performance Rights Granted on 22 May 2007</i>		
Opening balance	356,503	377,803
Forfeitures - 11 July 2008	-	(5,400)
Forfeitures - 1 August 2008	-	(5,400)
Forfeitures - 3 October 2008	-	(10,500)
Forfeitures - 15 February 2010	(8,625)	-
Vested - 22 May 2010	(347,878)	-
Closing balance	<u>-</u>	<u>356,503</u>
Closing balance of options and performance rights on issue	<u>25,331,022</u>	<u>25,687,525</u>

	Options 22-May-07	Options 17-Jun-09	Performance Rights
Model inputs for options and performance rights granted included:			
(a) Exercise price:	\$5.00	\$4.50	\$0.00
(b) Grant date:	22 May 2007	17 June 2009	22 May 2007
(c) Expiry date:	22 May 2013	17 June 2015	22 May 2012
(d) Days to expiry (mid-point) at grant date:	1,825 days	1,825 days	1,095 days
(e) Share price at grant date:	\$5.00	\$4.10	\$5.00
(f) Assumed volatility of the Company's shares:	22.50%	42.00%	22.50%
(g) Assumed dividend yield:	5.35%	4.30%	5.35%
(h) Risk-free interest rate:	6.11%	5.01%	6.17%

In relation to the options and performance rights granted in May 2007, there was no historical basis to work out the assumed price volatility of the Company's shares. Therefore, the volatility was based on an analysis of comparable listed funds management companies. For options granted on 17 June 2009, the volatility was based on the Company's share price movement since December 2008.

Fair Value of Options and Performance Rights

The assessed fair value of options and performance rights granted on 22 May 2007 was \$0.82 per option and \$4.26 per performance right. The assessed fair value of options granted on 17 June 2009 was \$1.14 per option.

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2010

7. SHARE-BASED PAYMENTS (cont'd)

(b) Fund Appreciation Rights Plan (FARP)

On 1 April 2009, the Group established the FARP to assist with the retention and motivation of the Group's investment analysts.

Under the FARP, shares in Platinum Asset Management Limited are purchased by the Group on behalf of employees, if they satisfy a time-based vesting period requirement of three years continuous employment with the Group.

The total number of shares to be purchased by the Group are equivalent to the notional investment in the Platinum Trust Funds, notionally allocated to employees, adjusted for the accumulated performance of the Funds over the vesting period. This interest is "notional" only, meaning employees have no entitlement to units in the Platinum Trust Funds. A notional investment in the Platinum Trust Funds occurred on 1 April 2009, with a further notional investment on 1 April 2010.

Fair Value of the Fund Appreciation Rights (FARs) Granted

The assessed fair value of FARs at 30 June 2010 is based on the notional market value of the investment in the Platinum Trust Funds at the two grant dates (ie, 1 April 2009 and 1 April 2010 respectively) adjusted for the movement in notional value of units to 30 June 2010.

The fair value of FARs granted on 1 April 2009, to be amortised over a three year vesting period was \$550,000. The movement in the notional value of units between 1 July 2009 and 30 June 2010 was \$69,587 (2009: \$83,025 from 1 April 2009 to 30 June 2009).

The fair value of FARs granted on 1 April 2010, to be amortised over a three year vesting period was \$1,015,000. The movement in the notional value of units between 1 April 2010 and 30 June 2010 was (\$9,195).

Expenses Arising from Share-Based Payment Transactions

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Total expenses arising from share-based payment transactions were as follows:		
Options granted on 22 May 2007	3,384	1,888
Options granted on 17 June 2009	2,494	96
Performance rights granted on 22 May 2007 (vested 22 May 2010)	405	462
Fund appreciation rights granted on 1 April 2009	253	129
Fund appreciation rights granted on 1 April 2010	75	-
Total share-based payments expense	6,611	2,575
Associated payroll tax expense/(write-back) on options and performance rights*	(3)	6
Associated payroll tax expense on fund appreciation rights*	18	7
Total	6,626	2,588

* Amounts are included in staff expense in the Statement of Comprehensive Income

At 30 June 2010, the fair value remaining to be amortised over the remainder of the vesting period is \$3,013,315 for the options granted on 22 May 2007, \$nil for the performance rights granted on 22 May 2007, \$7,387,745 for the options granted on 17 June 2009, \$321,001 for the FARs granted on 1 April 2009, and \$930,725 for the FARs granted on 1 April 2010.

In order to retain and motivate employees, additional options, performance rights or FARs may be issued under the OPRP or FARP, over time, in compliance with the *Corporations Act 2001* and relevant ASIC relief.

8. CONTRIBUTED EQUITY AND RESERVES

	Consolidated 2010 Quantity	Consolidated 2010 \$'000	Consolidated 2009 Quantity	Consolidated 2009 \$'000
(a) Movement in share capital				
Ordinary Shares - opening balance	561,000	629,091	561,000	629,091
Ordinary Shares - issued 24 May 2010*	348	-	-	-
Total Contributed equity	561,348	629,091	561,000	629,091

* On 24 May 2010, 347,878 performance rights which had vested were converted to ordinary shares.

Ordinary Shares

Ordinary Shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. All Ordinary Shares are issued and authorised.

(b) Movement in reserves

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Opening balance - Brought forward capital reserve	(579,737)	(582,312)
Unvested shares - Options (granted on 22 May 2007)	3,384	1,888
Unvested shares - Options (granted on 17 June 2009)	2,494	96
(Un)vested shares - Performance rights	405	462
Unvested shares - Fund appreciation rights (granted on 1 April 2009)	253	129
Unvested shares - Fund appreciation rights (granted on 1 April 2010)	75	-
Closing Balance	(573,126)	(579,737)

NOTES TO THE FINANCIAL STATEMENTS continued
30 June 2010

8. CONTRIBUTED EQUITY AND RESERVES (cont'd)

In 2007, in preparation for listing, a restructure was undertaken, in which the Company sold or transferred all of its assets, other than its beneficial interest in shares in Platinum Asset Management Limited and sufficient cash to meet its year to date income tax liability. The Company then split its issued share capital of 100 shares into 435,181,783 ordinary shares. It then took its beneficial interests in Platinum Investment Management Limited to 100%, through scrip for scrip offers, in consideration for the issue of 125,818,217 ordinary shares in the Company.

As a result of the share split and takeover offers, the Company had 561,000,000 ordinary shares on issue and beneficially held 100% of the issued share capital of Platinum Investment Management Limited. Subsequently, 140,250,000 shares on issue representing 25% of the issued shares of the Company were sold to the public by existing shareholders.

The opening brought forward capital reserve for 2009 represents the difference between consideration paid for the purchase of the minority interests and the share of net assets acquired in the minority interests. This was deducted from equity.

9. EARNINGS PER SHARE

	Consolidated 2010	Consolidated 2009
Basic earnings per share - cents per share	24.39	22.49
Diluted earnings per share - cents per share	23.33	21.62
	Consolidated 2010	Consolidated 2009
Weighted average number of Ordinary Shares on issue used in the calculation of basic earnings per share	561,036,217	561,000,000
Weighted average number of Ordinary Shares on issue used in the calculation of diluted earnings per share	586,684,311	583,333,867
	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Earnings used in the calculation of basic and diluted earnings per share	136,852	126,145

10. RETAINED PROFITS

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Retained earnings at the beginning of the financial year	144,781	130,836
Net profit	136,852	126,145
Dividends paid	(112,200)	(112,200)
Retained earnings at the end of the financial year	169,433	144,781

11. DIVIDENDS (Fully Franked)

	Parent entity 2010 cents per share	Parent entity 2010 \$'000	Parent entity 2009 cents per share	Parent entity 2009 \$'000
Paid - 22 September 2008	-	-	12.00	67,320
Paid - 13 March 2009	-	-	8.00	44,880
Paid - 22 September 2009	12.00	67,320	-	-
Paid - 16 March 2010	8.00	44,880	-	-
		112,200		112,200

Dividends not recognised at year-end

In addition to the above dividends paid, since year-end the Directors have declared the payment of a dividend of 14 cents per fully paid Ordinary Share, fully franked based on tax paid at 30%. The aggregate amount of the dividend expected to be paid on 22 September 2010 but not recognised as a liability at year-end is \$78,588,703.

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2010

12. NOTES TO THE CASH FLOW STATEMENT**(a) Reconciliation of Cash and Cash Equivalents**

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Cash at bank	45	143
Cash on deposit (at call)	16,213	14,126
Term deposits (three months or less from date of acquisition)	13,500	-
	<u>29,758</u>	<u>14,269</u>

Information in relation to the consolidated entity's exposure to interest rate risk is provided in Note 18.

(b) Reconciliation of Net Cash from Operating Activities to Profit After Income Tax

Profit after income tax	136,852	126,145
Depreciation	417	430
Fixed assets scrapped	4	-
Share-based payments	6,611	2,575
(Gain)/loss on investments	(1,123)	(6,179)
Decrease/(Increase) in cash due to exchange rate movements	69	588
Decrease/(Increase) in trade receivables	2,849	(5,696)
Decrease/(Increase) in interest receivable	773	(3,759)
Decrease/(Increase) in prepayments	71	25
Decrease/(Increase) in deferred tax assets	1,048	1,405
(Decrease)/Increase in trade creditors and GST	4,364	(644)
(Decrease)/Increase in annual leave, long service leave and payroll tax provisions	(157)	404
(Decrease)/Increase in income tax payable	4,786	(2,015)
(Decrease)/Increase in deferred tax liabilities	(224)	1,145
	<u>156,340</u>	<u>114,424</u>

13. CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS TO CAPITAL EXPENDITURE

No contingent assets or liabilities exist at 30 June 2010 and 30 June 2009.

The consolidated entity has no commitments for significant capital expenditure.

14. SUBSEQUENT EVENTS

No significant events have occurred since the balance date which would impact on the financial position of the consolidated entity as at 30 June 2010 and on the results for the year ended on that date.

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2010

15. SEGMENT INFORMATION

Under AASB 8: *Operating Segments*, the consolidated entity is considered to have a single operating segment being funds management services, however AASB 8 requires certain entity-wide disclosures, such as source of revenue by geographic region. The consolidated entity derives management and performance fees from Australian investment vehicles and its US-based investment mandates. The geographical breakdown of revenue is as follows:

	2010 \$'000	2009 \$'000
Australia	234,481	207,178
North America	13,874	12,311
Unallocated	-	(5)
	<u>248,355</u>	<u>219,484</u>

16. LEASE COMMITMENTS

Total lease expenditure contracted for at balance date but not provided for in the accounts is as follows:

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Operating leases		
Payable not later than one year	1,354	1,304
Payable later than one, not later than five years	5,411	5,875
Payable later than five years	-	957
	<u>6,765</u>	<u>8,136</u>

17. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the Auditor to the consolidated entity. The fees were paid by Platinum Investment Management Limited on behalf of the consolidated entity.

	2010 \$'000	2009 \$'000
Audit services - statutory	272	261
Taxation services - compliance	466	454
Taxation services - foreign tax agent	18	70
Other audit and assurance services	31	6
	<u>787</u>	<u>791</u>
Advisory services - restructuring and related costs	<u>227</u>	<u>354</u>
	<u>1,014</u>	<u>1,145</u>

18. FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to both direct and indirect financial risk, including market risk, credit risk and liquidity risk. Direct exposure to financial risk occurs through the impact on profit of movements in funds under management ("FUM"), and indirect exposure occurs because Platinum's operating subsidiary is the Investment Manager for various Platinum investment vehicles (which includes investment mandates, various unit trusts, known as the Platinum Trusts and its ASX listed investment vehicle, Platinum Capital Limited). This note discusses the direct exposure to risk of the consolidated entity.

The Investment Manager's risk management procedures focus on managing the potential adverse effects on financial performance, caused by volatility of financial markets.

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2010

18. Risk management (cont'd)

The direct risks and mitigation strategies are outlined below:

(a) Market Risk

The key direct risks associated with the consolidated entity are those which are driven by investment and market volatility and the resulting impact on FUM, or a reduction in the growth of FUM. Reduced FUM will directly impact on management fee income and profit, because management fee income is calculated as a percentage of FUM. FUM can be directly impacted by a range of factors including:

- a) poor investment performance: absolute negative investment performance will reduce FUM and relative under performance to appropriate market benchmarks could reduce the attractiveness of Platinum's investment products to investors, which would impact on the growth of the business. Poor investment performance could also trigger the termination of Investment Mandate arrangements;
- b) market volatility: Platinum invests in global markets. It follows that a decline in overseas markets, adverse exchange rate or interest rate movements will all impact on FUM;
- c) a reduction in the ability to retain and attract investors: which could be caused by a decline in investment performance, but also a range of other factors, such as the high level of competition in the funds management industry;
- d) a loss of key personnel; and
- e) investor allocation decisions: investors constantly re-assess and re-allocate their investments on the basis of their own preferences. Investor allocation decisions could operate independently from investment performance, such that funds outflows occur despite positive investment performance.

A decline in investment performance will also directly impact on performance share fees and performance fees earned by the consolidated entity. Historically, the amount of performance share fees earned by the consolidated entity have fluctuated significantly from year to year and can be a material source of fee revenue.

Performance share fees are based on a proportion of each Investment Mandate's investment performance. It is calculated at the end of each calendar year and is based upon the actual performance of each Investment Mandate for the year.

Performance fees may be earned by the consolidated entity, if the investment return of a Platinum Trust Fund (or Platinum Capital Limited) exceeds a specified benchmark. Should the actual performance of a Platinum Trust Fund/Platinum Capital Limited be higher than the applicable benchmark, a performance fee would be receivable for the financial year. As at 30 June 2010, performance fees of \$1,036,950 were receivable (2009: \$6,128,667).

If global equity markets fell 10% over the course of the year and consequently the consolidated entity's FUM fell in line with global equity markets, it follows that management fees would fall by 10%. If there was a 10% decrease in performance of Investment Mandates over the course of the calendar year, which resulted in an actual negative performance for the Investment Mandate for the year, then no performance fee would be earned.

The above analysis assumes a uniform 10% fall across all global equity markets. This is extremely unlikely as there is a large degree of variation in volatility across markets. For example, it is quite feasible for the Japanese market to fall whilst other Asian markets exhibit strong growth.

To mitigate the impact of adverse investment performance on FUM, the Investment Manager may employ hedging strategies to manage the impact of adverse market and exchange rate movements on the funds it manages. Market risk may be managed through derivative contracts, including futures, options and swaps. Currency risk may be managed through the use of foreign currency contracts.

The section below discusses the direct impact of foreign exchange risk, interest rate risk and price risk on the consolidated entity's financial instruments held at 30 June 2010.

(i) Foreign Exchange Risk

The consolidated entity has US dollar Investment Mandates and derives fees in US dollars from these. In addition, the consolidated entity held US\$1,671,092 in cash at 30 June 2010 (2009:US\$2,852,265). Therefore, the consolidated entity is directly exposed to foreign exchange risk arising from movements in exchange rates.

If the Australian Dollar had been 10% lower/higher against the US Dollar, than the prevailing exchange rate used to convert the Mandate fees and foreign currency holdings, with all other variables held constant, then net profit after tax would have been A\$1,254,714 higher/A\$1,026,946 lower (2009:A\$727,036 higher/A\$594,930 lower).

(ii) Interest Rate Risk

At 30 June 2010, term deposits are the only significant asset with potential exposure to interest rate risk, held by the consolidated entity.

An interest rate movement of +/-1% occurring on 30 June 2010 will have no impact on profit, as the interest rate on term deposits are determined on purchase date.

(iii) Price Risk

At 30 June 2010, financial assets at fair value through profit or loss represent an immaterial amount of the consolidated entity's total assets and net profit. Accordingly, the consolidated entity does not have a significant direct exposure to price risk.

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2010

18. Risk management (cont'd)

(b) 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). Credit risk arises from the financial assets of the consolidated entity which includes cash, receivables and term deposits. All term deposits are held with licensed Australian banks.

The maximum exposure to direct credit risk at balance date is the carrying amount of financial assets recognised in the Balance Sheet. The consolidated entity may hold some collateral as security (eg, margin accounts) and the credit quality of all financial assets is consistently monitored by the consolidated entity. No financial assets are past due or impaired.

Any default in the value of a financial instrument held within any of the Platinum Trusts, Platinum Capital or the Investment Mandates, will result in reduced investment performance. There is no direct loss for the consolidated entity other than through the ensuing reduction in FUM, as noted above in market risk. The Investment Manager employs standard market practices for managing its credit risk exposure.

(c) Liquidity Risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities. The consolidated entity manages liquidity risk by maintaining sufficient cash reserves to cover its liabilities and receiving management fees to meet operating expenses on a regular basis. Management monitors its cash position on a daily basis and prepares cash forecasts on a weekly basis.

Contractual maturity analysis

At 30 June 2010, the consolidated entity has an obligation to settle trade creditors of \$9,612,788 (2009: \$5,594,964) between seven and 30 days after becoming legally liable, Goods and Services Tax liability of \$1,658,140 (2009: \$1,311,779) within 21 days and estimated income tax payable of \$15,204,065 (2009: \$10,417,848) within approximately five months and unclaimed dividends payable to shareholders of \$147,314 (2009: \$141,060), long service leave of \$816,000 (2009: \$1,015,547) and annual leave of \$810,181 (2009: \$786,752) payable at call. In addition, a payroll tax amount of \$25,803 (2009: \$7,400) has been provided for and is payable on vesting date of rights under the FARP (March 2012 and March 2013).

At 30 June 2010, the consolidated entity has sufficient cash reserves of \$29,757,789 (2009: \$14,128,132) and a further \$24,507,333 (2009: \$28,129,331) of receivables to cover these liabilities. The consolidated entity may also convert into cash those term deposits not categorised as cash and cash equivalents in the Balance Sheet to settle any liabilities.

At 30 June 2010, term deposits totalled \$194,127,738 (in 2009: bank certificates of deposit totalled \$165,332,030). All term deposits have maturities of less than 12 months. The portfolio takes into account all projected cash outflows. Accordingly, the consolidated entity does not have a significant direct exposure to liquidity risk.

(d) Fair Value Hierarchy

The consolidated entity has adopted the amendments to AASB 7: *Financial Instruments: Disclosures* effective 1 July 2009. This requires the consolidated entity to classify 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).

At 30 June 2010, all financial assets at fair value through profit or loss are classified as level 1 as all financial assets are valued based on quoted arm's length prices in active markets.

(e) Capital Risk Management

(i) Capital requirements

The Company has limited capital requirements and its need for retained profits is slight. Owing to the volatility caused by the performance share fee component of revenue, the Directors smooth dividend payments and have a policy of paying out 80% to 90% of net profit after tax. This is a policy, not a guarantee.

(ii) External requirements

In connection with operating a funds management business in Australia, the operating subsidiary of the Company (which conducts the funds management business) is required to hold an Australian Financial Services License (AFSL). As a holder of an AFSL, the Australian Securities and Investment Commission (ASIC), requires the subsidiary to:

- hold at least \$5 million Net Tangible Assets in respect of its managed investments and custody services;
- have Adjusted Surplus Liquid Funds ("ASLF") of:
 - \$50,000; plus
 - 5% of adjusted liabilities between \$1 million and \$100 million; plus
 - 0.5% of adjusted liabilities for any amount of adjusted liabilities exceeding \$100 million, up to a maximum ASLF of \$100 million.
- have at least \$50,000 in Surplus Liquid Funds ("SLF") (i.e. its own funds in liquid form).

The operating subsidiary has complied with all externally imposed requirements to hold an AFSL during the financial year.

NOTES TO THE FINANCIAL STATEMENTS continued

30 June 2010

19. THE COMPANY

Platinum Asset Management Limited ("the Company") is a company limited by shares, incorporated and domiciled in New South Wales. Its registered office and principal place of business is Level 8, 7 Macquarie Place, Sydney, NSW 2000. The Company is the ultimate holding company for the entities listed in Note 20.

20. THE SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

- (a) McRae Pty Limited (incorporated in Australia) - (100% owned by the Company).
- (b) Platinum Asset Pty Limited (incorporated in Australia) - (100% owned by the Company).
- (c) Platinum Investment Management Limited (incorporated in Australia) - (indirectly 100% owned by the Company).
- (d) Platinum Asset Management Pte Ltd (incorporated in Singapore) - (indirectly 100% owned by the Company).

21. RELATED PARTY DEALINGS

(a) Directors' remuneration

Details of all remuneration paid to Directors is disclosed in the Directors' Report and Note 22.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 20.

(c) Transactions with related parties

Platinum Investment Management Limited provides investment management services to related party unit trusts - the Platinum Trust Funds and to the ASX-listed investment company, Platinum Capital Limited. Platinum Investment Management is entitled to receive a monthly management fee from Platinum Capital Limited and the Platinum Trust Funds, a monthly administration fee from the Platinum Trust Funds and in some instances a performance fee (which is calculated annually) based upon the relevant Funds and Platinum Capital Limited's investment return over and above a specified benchmark. The total related party fees received and receivable by Platinum Investment Management Limited for the year ended 30 June 2010 was \$194,882,770 (2009: \$170,596,253).

(d) Tax consolidation and dividend transactions

Any tax payments and dividends are sourced from the operating subsidiary, Platinum Investment Management Limited and paid out by the Company. Platinum Asset Management Limited is the head entity of the consolidated tax group and is the entity that ultimately pays out dividends to shareholders.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of remuneration

The consolidated entity paid Executive and Non-Executive Directors total short-term compensation of \$2,198,400 (2009: \$1,441,259) and superannuation of \$168,366 (2009: \$291,210). Also provided for the Executive Directors of the Company was an increase in long service leave of \$20,454 (2009: \$36,018) and a decrease in annual leave of \$37,931 (2009: \$22,298).

The above includes remuneration paid and provided to A Clifford, who is a Director of the operating subsidiary, Platinum Investment Management Limited. A Clifford also received share-based compensation which is disclosed below.

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

The relevant interest in ordinary shares of the Company that each Director has at balance date is M Cole 300,000 (2009:300,000), B Coleman 200,000 (2009: 200,000), M Towers 20,000 (2009: 20,000), K Neilson 322,074,841 (2009: 322,074,841) and M Halstead 16,997,999 (2009: 22,834,931). M Halstead disposed of 5,836,932 shares during the year.

(c) Share-based compensation

No options or performance rights have been granted to any Non-Executive or Executive Directors of the Company.

A Clifford, a Director of Platinum Investment Management Limited, was granted nil options in 2010 (2009: 3,844,350 options).

The 2009 options were granted at a strike price of \$4.50. The options vest after four years and have a further two year exercise period.

The assessed fair value of options granted on 17 June 2009 was \$1.14 per option.

The 2010 share-based payments expense relating to this grant to A Clifford was \$1,091,795 (2009: \$41,820).

23. PARENT ENTITY DISCLOSURES

Parent entity financial information is as follows:

- (a) Current assets \$15,352,000 (2009: \$10,559,000)
- (b) Total assets \$660,401,000 (2009: \$649,325,000)
- (c) Current liabilities \$15,351,000 (2009: \$10,559,000)
- (d) Total liabilities \$15,351,000 (2009: \$10,559,000)
- (e) Issued share capital \$629,091,000 (2009: \$629,091,000)
- (f) Reserves \$14,543,000 (2009: \$8,261,000)
- (g) Shareholders equity \$645,050,000 (2009: \$638,766,000)
- (h) Operating profit before tax \$112,200,000 (2009: \$112,200,000)
- (i) Operating profit after tax \$112,202,000 (2009: \$112,200,000)

There are no guarantees entered into by the parent entity in relation to debts of the subsidiaries, no contingent liabilities and no capital commitments.

DIRECTORS' DECLARATION

In the Directors' opinion,

- (a) the financial statements and notes set out on pages 12 to 29 are in accordance with the *Corporations Act 2001* including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
 - (iii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 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 Asset Management Limited will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 4 to 6 of the Directors Report comply with AASB 124: *Related Party Disclosures* and the *Corporations Act 2001*.

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

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

Michael Cole
Director

Kerr Neilson
Director

Sydney
19 August 2010

Independent auditor's report to the members of Platinum Asset Management Limited

Report on the financial report

We have audited the accompanying financial report of Platinum Asset Management Limited (the Company), which comprises the Balance Sheet as at 30 June 2010, 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 for Platinum Asset Management group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that 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 controls 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 controls. 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.

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

**Independent auditor's report to the members of
Platinum Asset Management Limited (continued)**

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Platinum Asset Management Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 6 of the Directors' Report for the year ended 30 June 2010. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Platinum Asset Management Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

AJ Loveridge
Partner

Sydney
August 2010

DIRECTORY

Directors

Michael Cole
Bruce Coleman
Margaret Towers
Kerr Neilson
Malcolm Halstead

Secretary

Malcolm Halstead

Shareholder Liaison

Liz Norman

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Auditors and Taxation Advisors

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Sydney NSW 2000

Securities Exchange Listing

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

Website

http://www.platinum.com.au/paml_shares.htm