

PLATINUM CAPITAL LIMITED

ACN 063 975 431

ANNUAL REPORT

FOR THE PERIOD FROM INCORPORATION TO 30 JUNE 1995

PLATINUM CAPITAL LIMITED

FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION TO 30 JUNE 1995

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CHAIRMAN'S REPORT

The Company

Platinum Capital Limited was listed on the Australian Stock Exchange on 29 June 1994, so the period ended 30 June 1995 has seen our first period of operation.

The Company was established for investors to participate in the potential growth of companies world-wide.

The investment of funds has been managed by Platinum Asset Management.

Investment Objectives

In looking at the reporting period it is worthwhile to set out again the Company's investment objective, which is to seek long-term capital growth through value investing. The Investment Manager's mandate is to identify businesses which it perceives to be undervalued by the share markets. Platinum Asset Management's particular approach is to build a portfolio from a series of individual stock selection decisions - from the 'bottom-up', as it were, rather than from a 'top-down' asset allocation approach.

The number of stocks will tend to be relatively small for a global portfolio, usually around 40 to 80. They are typically held for a duration of 3 to 5 years. When undervalued stocks cannot be found the funds will remain in cash.

This approach to international investments is relatively unusual. One consequence of it is that the portfolio will tend to vary considerably from international investment benchmarks, such as the Morgan Stanley Capital International World Accumulation Index.

Consistent with the investment objective we consider the best way to measure our performance is to look at the change in the Net Asset Value (NAV). The accounting profit and loss is not a good indicator; it is dependent on returns actually realised in the period, that is dividends, interest and profits or losses on the disposal of investments. Unrealised returns, generally the major part of the total return, are not recognised. Profit and loss will also, because of the irregular pattern in disposal of investments, tend to be volatile.

In calculating NAV, realised and unrealised gains are included so a more complete picture of returns is presented. The Company's NAV is calculated monthly and is advertised around the 10th working day of the succeeding month in the Australian Financial Review and the National Business Review in New Zealand.

Investment Returns in 1994 / 1995

Over the first period of the Company's operations the NAV of the Portfolio increased by 11.7% to \$1.0756 per share, after allowing for all tax paid and payable. The Profit and Loss Account shows a Loss of \$3.3 million; this is after expensing formation costs of \$3.7 million.

As outlined above the Profit and Loss is not very helpful in assessing annual performance.

This return is not a bad start. The Portfolio was progressively invested. International markets were characterised by wide divergence in performance between countries with unusual volatility in bonds and currencies. Over the period the Morgan Stanley Index showed a return of 14%. On a comparable basis (i.e. after adding back the tax liability) the Portfolio return was 13%, a negative difference of 1%. While our goal, over time, is to consistently outperform this index, we consider this a solid first year return.

The investment climate in the current year is also fairly demanding. While underlying economic growth fundamentals look reasonable, this positive outlook is anticipated in many markets. Volatility in currency and bond markets is still with us.

Dividend Policy

Although no dividend can be paid for this period because of the operating loss, the Directors have given consideration to the dividend policy that is appropriate for a portfolio that is invested to achieve long-term capital growth rather than consistent growth in operating profits. Our approach will be over time to distribute franking credits and to start with a modest dividend payout that can be built up.

The Company operates a Dividend Reinvestment Plan. If any shareholder requires a copy of the Plan or wishes to elect to reinvest dividends when they are paid please contact the Share Registry.

Conclusion

Your Directors are encouraged by the results from the Company's first period of operation. I would like to record my appreciation for the hard work and professionalism of the Investment Manager and look forward to being able to report positively to Shareholders in the current year.

Michael Darling
Chairman

INVESTMENT MANAGER'S REPORT

SHAREHOLDER INFORMATION

Substantial Shareholders

The Company's Register of Substantial Shareholders, prepared in accordance with section 715 of the Corporations Law, recorded the following information as at 31 July 1995.

Name	Number of shares	Class of share
Telecom Super Pty. Limited	5,000,000	ordinary

Distribution of Securities

	Class of equity security	
	Ordinary	Share Options
(i) Distribution schedule of holdings		
1-1000	113	969
1,001 - 5,000	3,184	2,611
5,001 - 10,000	1,504	474
10,001 and over	1,293	632
Total number of holders	6,094	4,686
(ii) Number of holders of less than a marketable parcel	8	2
(iii) Percentage held by the 20 largest holders	33.96%	24.73%

Twenty Largest Shareholders

The names of the twenty largest holders of each class of equity securities as at 31 July 1995 are listed below

	Number of Shares	%
National Nominees limited	7,117,700	7.12
Austrust limited	4,749,600	4.75
ANZ Nominees Limited	3,175,800	3.18
Caledonia Investments Limited	3,050,000	3.05
Credit Union Services Corporation (Australia) Limited	2,875,100	2.88
New Scotland Nominees Limited	1,989,900	1.99
SGIC Life Limited	1,402,100	1.40
Motor Accident Commission	1,225,000	1.23
Perpetual Trustee Company Limited	1,153,400	1.15
Yui Kuen Chun	1,000,000	1.00
Cox Bros Coffs Harbour Pty Ltd	1,000,000	1.00
Merrill Lynch (Australia) Nominees Pty Limited	990,900	0.99
Credit Union Services Corporation (Australia) Ltd	610,100	0.61
Permanent Trustee Australia Limited	550,000	0.55
MLC Life Limited	538,200	0.54
BT (Queensland) Pty Limited	521,800	0.52
Ciach Holdings Pty Ltd	500,000	0.50
CIC General Insurance Holdings Limited	500,000	0.50
Mr. Archibald Norman Douglas	500,000	0.50
Mr. Gordon Douglas	500,000	0.50
	Number of Options	%
ANZ Nominees Limited	1,500,000	3.00
Austrust limited	1,328,100	2.66
SGIC Life Limited	1,171,500	2.34
Motor Accident Commission	1,056,600	2.11
National Nominees limited	1,000,000	2.00
Mr. Brian David Nazer	909,000	1.82
Lordsim Pty Limiteds	644,000	1.29
Yui Kuen Chun	500,000	1.00
Moreroll Pty Limited	500,000	1.00
Beaglemoat Nominess Pty. Limited	496,500	0.99
Mr. Douglas Eduard Schahinger & Mrs. Betty Atkinson Schahinger	426,000	0.85
Mr Timothy Miles Pulsford & Ms Robyn Maxine Harrison	408,000	0.82
Mardon Pty Ltd	350,000	0.70
CFD Research Pty limited	320,000	0.64
Mr Leon Thomas Wood & Mrs Judith Annette Wood	308,000	0.62
Dr Glenn Haifer	300,000	0.60
Robertson Consulting Group Pty Ltd	300,000	0.60
Credit Union Services Corporation (Australia) Ltd	297,250	0.59
Perpetual Trustee Company Limited	277,000	0.55
Permanent Trustee Australia Limited	275,000	0.55

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.

Options on Shares:

The options carry no voting rights.

Options

50 million Options were issued free to Shareholders on the basis of 1 for every 2 shares subscribed pursuant to the Prospectus dated 5 May 1994.

The options are exercisable at \$1.20 on 1 July 1996.

Additional Information in accordance with the ASX listing requirements for the Company.

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

Number of transactions - 707	Total brokerage paid - \$825,117
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2. Shareholders may review a list of investments acquired or disposed of by the Company in the reporting period at the Registered Office.

3. A listing of the Investment Portfolio may be found in note 15 to the Accounts.

4. A summary of the fees paid or payable to the Investment Manager may be found in note 18 of the Accounts.

5. A summary of the salient provisions of the Investment Management Contract are as follows:-

(a) the Investment Manager will invest the Portfolio in accordance with the investment objectives and restrictions of the Company and subject to the Articles, the Management Agreement, the ASX Listing Rules, the Corporations Law and investment restrictions and directions from the Company;

(b) confer with the Company at regular intervals;

(c) administer the borrowings of the Company;

(d) the Investment Manager may appoint the Managing Director of the Company;

(e) the Investment Manager is required to publish the Net Asset Value of the Company monthly at the ASX and in an Australian national daily newspaper;

(f) the Agreement will continue for a term of 5 years, the Investment Manager cannot retire in the first three years but thereafter may retire after giving 6 months notice;

(g) the Agreement may be terminated or renewed by the Members of the Company in General Meeting at the end of each 5 year term; and

(h) the Agreement may be immediately terminated by the Company in the event of :-

(i) a breach of a material obligation by the Investment Manager;

(ii) the Investment Manager going into liquidation or having an administrator or receiver appointed; or

(iii) the investment Manager selling or ceasing business or within the first 3 years Mr. Kerr Neilson ceases to be employed by the Manager.

DIRECTORS' REPORT

In respect of the period from 27 April 1994 to 30 June 1995 the Directors of Platinum Capital Limited (the Company) submit the following report made out in accordance with a resolution of the Directors.

Directors in Office at the Date of this Report

Michael Darling	(Chairman and Non-Executive Director)
Philip Pearce	(Non-Executive Director)
Kerr Neilson	(Managing Director)
Andrew Clifford	(Director)
Malcolm Halstead	(Director and Secretary)

Principal Activity

The principal activity of the Company during the period was the investment of funds internationally into securities of companies which are perceived to be undervalued by the market.

Trading Results

The net loss of the Company for the period was \$3,293,000 after income tax expense of \$1,411,000

Dividends

The Company did not pay an interim dividend and no final dividend has been proposed.

Whilst the Company has a small amount of franking credits available to distribute it is unable to pay a dividend owing to it having made an accounting loss for the period. In determining the loss for the period the Company has expensed formation costs of \$3,697,000.

Review of Operations

Operating Revenue

The operating revenue for the period was \$60,130,000

Operating Loss

The operating loss before tax was \$1,882,000 and \$3,293,000 after tax, and after writing off preliminary expenses of \$3,697,000

Taxation

Income tax expense for the period was \$1,411,000

Changes in the State of Affairs

On the 24 June 1994 the Company issued 100 million Ordinary Shares at \$1.00 each and 50 million Options exercisable at \$1.20 on 1 July 1996 pursuant to the Prospectus dated 5 May 1994.

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

Events Subsequent to Balance Date

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

Likely Developments

The Company will continue to pursue its investment objectives so as to increase the net asset value of the Company during the next financial year

Rounding off of Amounts

The Company is a company of the kind referred to in Corporations Regulation 3.6.05(6) and, in accordance with Section 311 of Corporations Regulation 3.6.05, amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars unless specifically stated to be otherwise.

Accounting Issues

The Directors have determined to report in accordance with Exposure Draft 65 issued in June 1995 by the Australian Accounting Standards Board and with the Australian Society of Corporate Treasurers' Industry Statement on Derivative Instruments, as endorsed by the Australian Securities Commission, in so far as is relevant to the Company. The Directors believe that this more effective disclosure assists in a proper understanding of the investment process undertaken by the Investment Manager.

Directors' Benefits

No director of the Company has, since the incorporation of the Company, received or become entitled to receive a benefit (other than a benefit included in the total emoluments received or due and receivable by directors shown in the financial statements) by reason of a contract made by the Company, or a related entity with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial financial interest.

DIRECTORS' REPORT (Cont.)

Directors' Interests in Contracts

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

Directors' Indemnity Insurance

During the period the Company incurred a premium of \$35,788 in respect of a contract insuring the following directors of the Company:

MG Darling
PA Pearce
WK Neilson
AM Clifford
RM Halstead

Information on Directors

Michael G. Darling BA Law (Oxon), MBA (Harvard)

Chairman (Age 49)

Relevant interest in 3,300,000 shares in the Company.

Mr. Darling has extensive experience in international investment markets and has lived and worked in Japan, Europe, North America and Papua New Guinea.

He is Chairman of resource companies Devex Limited, Doral Minerals Limited and Carnarvon Petroleum Limited and of portfolio investment company Caledonia Investments Limited. Other Directorships include

Pilatus Capital Limited, Art Exhibitions Australia Limited, The Centre for Independent Studies Limited, and the Museum of Contemporary Art Limited.

He is a former Director of the Australian Stock Exchange (1986-1987).

Philip A. Pearce BCom

Non-Executive Director (Age 60)

Relevant interest in 25,000 shares and 12,500 Options in the Company.

Other Directorships include Australian Resources Limited, Pacific Islands Gold NL., Silicon Metal Company of Australia Limited, Sunbeam Victa Holdings Limited, SGIO Insurance Limited and The Australian Brewing and Hospitality Group Limited.

Formerly he was Chief Financial Executive Officer of Woolworths Limited and Managing Partner of Arthur Andersen & Co.

Kerr Neilson BCom (UCT), AAIMR

Managing Director (Age 45)

Relevant interest in 200,001 shares and 100,000 Options in the Company.

Appointed as Managing Director upon the incorporation. Mr. Neilson is an experienced investment analyst

and fund manager. He is also a Director of Platinum Asset Management, the Company's Investment Manager.

Previously to Platinum Asset Management he was an Executive Vice President at Bankers Trust Australia Limited.

Prior to BT he worked in both the UK and South Africa as an investment analyst and fund manager.

Andrew M Clifford BCom(Hons), ASIA, ASA

Director (Age 29)

Relevant interest in 50,001 shares and 25,000 options in the Company.

Appointed a Director of the Company upon incorporation. He is also a Director of Platinum Asset Management,

the Company's Investment Manager. Previously to Platinum Asset Management he was a Vice President at Bankers Trust Australia Limited.

Malcolm Halstead ACA

Director and Secretary (Age 37)

Relevant interest in 40,001 shares and 20,000 options in the Company.

Appointed a Director of the Company upon incorporation. He is also a Director of Platinum Asset Management,

the Company's Investment Manager. Previously to Platinum Asset Management he was a Vice President at Bankers Trust Australia Limited. Prior to BT he was with Price Waterhouse, Sydney and Thornton Baker, London.

DIRECTORS' REPORT (Cont.)

Directors' Meetings

The following table sets out the number of meetings of the Company's Directors held during the period ended 30 June 1995, and the number of meetings attended by each Director.

	Board Meetings * Held	Board Meetings Attended
MG Darling	14	11
PA Pearce	14	13
WK Neilson	14	12
AM Clifford	14	13
RM Halstead	14	14

* Includes meetings held in relation to the formation of the Company and the Initial Public Offering of Shares.

Corporate Governance

Audit Committee

The Company does not have an audit committee. It is the Directors' opinion that all matters of significance which would otherwise be dealt with by an audit committee are dealt with by the Board and that as a consequence, a separate audit committee is not warranted.

Directors' Compensation

The Executive Directors receive no remuneration from the Company. 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 maximum amount of non- Executive Directors' fees is set at \$150,000 per annum for the first five years of operation of the Company.

Board Membership

The Board has a policy of having an equal number of non-Executive and Executive Directors, excluding the Managing Director's role.

Non-Executive Directors are selected with appropriate skills and experience.

The Board may use external advisors to assist in such a process.

The Executive Directors were nominated by the Investment Manager Platinum Asset Management.

The Managing Director is appointed in accordance with the Investment Management contract with Platinum Asset Management and the Articles of Association. Under the Articles of Association the Investment Manager nominated Director is not subject to rotational re-election.

Directors' Access to External Advice

The Board has a policy of enabling Directors to seek external 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. The Board will not approve for payment costs that are unreasonable in amount.

Significant Business Risks

The Company is an Investment Company with a stated purpose and investment mandate. The Board has determined to regularly monitor the investment risks, including various derivative instrument risks, inherent in the investment mandate. This is achieved through regular reporting mechanisms from the Investment Manager to the Board.

Ethical Standards

The Board's policy is for the Directors to conduct themselves with the highest ethical standards appropriate to the stated objective of the Company.

The Board has instituted compliance with the Institute of Directors' Code of Conduct.

For and on behalf of the Board

MG Darling

Director

WK Neilson

Director

Sydney

18 August 1995

PROFIT AND LOSS ACCOUNT

For the Period from 27 April 1994 to 30 June 1995

		1995 \$'000
	Notes	
Operating Revenue	3	<u>60,130</u>
Operating Loss	4	(1,882)
Income tax attributable to operating loss	5	<u>1,411</u>
Operating Loss after Income Tax		(3,293)
Amounts transferred to reserves	11	(97)
Accumulated losses at the End of the Financial Period.		<u>(3,390)</u>

The accompanying notes form an integral part of these financial statements

BALANCE SHEET

As at 30 June 1995

	Notes	1995 \$'000
Investments	1(c),6	<u>97,387</u>
Current Assets		
Cash at bank	13	251
Receivables	7	1,117
Future income tax benefit	5	33
Total Current Assets		<u>1,401</u>
Total Assets		98,788
Current Liabilities		
Creditors	8	679
Provisions	9	1,402
Total Current Liabilities		<u>2,081</u>
Total Liabilities		2,081
Net Assets		96,707
Shareholders' Equity		
Share capital	10	100,000
Reserves	11	97
Accumulated losses		(3,390)
Total Shareholders' Equity		96,707

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the Period from 27 April 1994 to 30 June 1995

	Notes	1995 \$'000 INFLOWS (OUTFLOWS)
CASH FLOWS FROM OPERATING ACTIVITIES		
Dividends received		1,145
Interest received		1,992
Cash paid for purchases of investments		(140,385)
Cash proceeds from sale of investments		55,915
Establishment costs paid		(3,697)
Management fees paid		(1,381)
Other expenses		(665)
Income tax paid		(42)
Net Cash from Operating Activities	13(b)	<u>(87,118)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		<u>100,000</u>
Net Cash from Financing Activities		<u>100,000</u>
Net Increase / (decrease) in cash held		12,882
Cash held at the beginning of the period		0
Effects of exchange rate changes on cash		<u>80</u>
Cash Held at 30 June 1995	13(a)	<u>12,962</u>

The accompanying notes form an integral part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 June 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been drawn up in accordance with applicable accounting standards, the Corporations Law and Schedule 5 of the Corporations Regulations, except where otherwise stated.

The principal accounting policies adopted by the Company are stated to assist in a general understanding of these financial statements. These policies have been consistently applied by the Company except as otherwise stated.

(a) Basis of Accounting

The financial statements have been prepared on the basis of historical cost, except where otherwise stated.

(b) Foreign currency translation

Transactions denominated in foreign currencies are translated at the rates of exchange ruling on the date of the transaction. All realised exchange gains and losses are taken to account in the period in which they arise.

Foreign currency monetary assets and liabilities existing at balance date are revalued at the rates of exchange ruling at balance date.

(c) Investments

(i) Classification

Investments have not been classified in the Balance Sheet as current or non-current assets. This treatment constitutes a departure from the basic balance sheet format prescribed by Schedule 5 to the Corporations Law. In the opinion of the Directors, having regard to the nature of the business conducted by the Company, the period of investment is not known at the time of purchase and therefore the departure from the basic Balance Sheet format has been made to the extent necessary to give a true and fair view.

(ii) Valuation

With the exception of monetary items, which are stated at current market value, investments are valued at cost.

Where, in the opinion of the Directors, there has been a permanent diminution in the value of an investment, the carrying amount of such an investment is written down to its recoverable amount.

(iii) Treatment of unrealised gains and losses on monetary items

Realised and unrealised gains and losses on market value adjustments of monetary items are reflected in the Profit and Loss Account. The unrealised gains and losses are then transferred to a revaluation reserve.

(d) Risk Management

(i) Currency hedges

Forward foreign exchange contracts, including options on forward contracts, are entered into, in the normal course of investing internationally, as a hedge against the currency risks associated with investments. Contracts open at balance date are accounted for as foreign currency monetary assets and liabilities - refer notes 1(b) and 1(c) (iii) above.

Currency positions are disclosed in note 16(ii).

(ii) Derivatives

All derivative transactions - futures, options - are for risk management purposes; that is to protect the investment portfolio from either being invested or uninvested. All such contracts are primarily for the purpose of portfolio protection and are aimed at decreasing the level of market risk in the portfolio.

All derivatives are valued at cost. Where, in the opinion of Directors, there has been a permanent diminution in the value of a derivative, the carrying amount of such a derivative is written down to its recoverable amount.

Derivative positions are disclosed in note 16(i).

(e) Income Recognition

Interest income is recognised on an accruals basis.

Dividend income is brought to account as income on the ex-date applicable to each investment.

(f) Directors' Entitlements

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
30 June 1995

(g) Income Tax

Income tax has been brought to account using the liability method of tax effect accounting.

(h) Preliminary Expenses

Preliminary expenses have been written off as incurred.

(i) Earnings per Share

Basic earnings per share is determined by dividing the operating loss after income tax by the weighted number of ordinary shares outstanding during the period.

2. Comparative Figures

No comparative figures have been provided as the Company was incorporated on 27 April 1994.

3. Operating Revenue

Gross proceeds from disposal of investments	56,620
Dividend income	1,492
Interest income	2,018
	60,130

4. Operating Loss

Operating loss before income tax has been determined after:

Crediting	
. Dividends received / receivable from other entities	1,492
. Interest received / receivable	2,018
. Net profits on sale of investments	876
. Net profit on foreign currency hedging transactions	113
Charging as Expense	
. Auditors' remuneration	
- Auditing services	28
- Other	15
. Investment management fees paid / payable	1,516
. Share registry and custodian fees	322
. Directors' remuneration	
- Income received or due and receivable by directors of the Company	45
- Amounts paid or payable to superannuation plans	2
Permanent diminution in value of investment	736
Abnormal Item - no tax effect	
. Preliminary expenses	3,697

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
30 June 1995

5. Income Tax

The aggregate amount of income tax attributable to the period differs from the prima facie amount payable on the operating loss. The difference is reconciled as follows:

Prima facie income tax on operating loss @ 33%	(621)
Tax effect on permanent differences which:	
<i>Increase Tax Payable</i>	
. Non-deductible preliminary expenses	1,220
. Non-deductible expenses	2
<i>Reduce Tax Payable</i>	
. Allowable credits	(110)
. Non taxable receipts	(4)
Future income tax benefit not recognised	914
Effect of increase in tax rate on deferred tax balances	10
The income tax expense attributable to operating loss	1,411
comprises:	
Current income tax provision	1,292
Deferred income tax provision	152
Future income tax benefit	(33)
	1,411

Future Income Tax Benefit

Potential future income tax benefits of \$997,000 (at 36%) arising from \$2,032,000 of quarantined foreign losses and a permanent diminution in the value of investments of \$736,000 have not been brought to account at balance date as the Directors do not believe it is appropriate to regard realisation of the future income tax benefit as virtually certain.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
30 June 1995

6. Investments

	1995 \$'000	1995 \$'000
	Market Value	Cost/Carrying value
Listed securities	94,575	83,076
Unlisted securities	1,250	1,250
Currency hedges	(409)	350
Cash on deposit	12,711	12,711
	108,127	97,387

7. Receivables

Current	
Unsettled trades	705
Accrued dividends and interest	374
Other	38
	1,117

8. Creditors

Current	
Unsettled trades	417
Trade creditors (unsecured)	262
	679

9. Provisions

Current	
Taxation	1,250
Deferred income tax	152
	1,402

10. Share Capital

Authorised Share Capital 5,000,000,000 Ordinary shares of \$1.00 each	5,000,000
Issued Share Capital 100,000,005 Ordinary shares fully paid of \$1.00 each	100,000

50,000,000 options were allotted on 24 June 1994 and are exercisable on 1 July 1996 at \$1.20.
Any options not exercised on 1 July 1996 will lapse.

11. Revaluation Reserve

Balance at the beginning of the period	-
Amounts transferred from Profit and Loss Account;	
- unrealised gains on revaluation of monetary items	97
	97

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
30 June 1995

12. Earnings per share

	Undiluted	Diluted
Basic earnings (loss) per share - cents per share	-3.29	-2.20
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	100,000,005	150,000,005

There have been no conversions to, calls of, or subscriptions for ordinary shares, or issues of potential ordinary shares since the reporting date and since the allotment of shares pursuant to the prospectus dated 5 May 1994.

13. Notes to the Statement of Cash Flows

1995
\$'000

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes deposits at call, and cash at bank.

Cash at the end of the period, as shown in the Statement of Cash Flows, is reconciled to the related items in the Balance Sheet as follows:

Cash at bank	251
Cash on deposit (note 6)	12,711
	12,962

(b) Reconciliation of Net Cash from

Operating Activities to Operating Loss after Income Tax

Operating loss after income tax	(3,293)
Increase in investment securities	(84,676)
Increase in cash due to exchange rate movements	(80)
Increase in settlements receivable	(705)
Increase in dividends receivable	(348)
Increase in interest receivable	(26)
Increase in prepayments	(38)
Increase in accrued expenses	262
Increase in settlements payable	417
Increase in income tax payable	1,250
Increase in future income tax benefit	(33)
Increase in deferred income tax	152
Net Cash from Operating Activities	(87,118)

14. Statement of Net Asset Value

(a) Taking Investments at Market Value and Providing for Realised Taxes

Net Assets per the Balance Sheet	96,707
Less	
Future income tax benefit on monetary items and timing differences	(33)
Add	
Deferred income tax on monetary items, dividends receivable and timing differences	152
Revaluation of investments	10,740
Net Asset Value	107,566
Net Asset Value - cents per share	107.56

(b) Taking Investments at Market Value and Providing for Realised and Unrealised Taxes

Net Asset Value (as per (a) above)	107,566
Add	
Future income tax benefit on monetary items and timing differences	33
Less	
Deferred income tax on monetary items, dividends receivable and timing differences & revaluation of investments @ 36%	(3,754)
Net Asset Value	103,845
Net Asset Value - cents per share	103.85

For Net Asset Value purposes all investments, currencies, derivatives are valued at net market value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued

30 June 1995

15. Investment Portfolio

	Quantity	Market value \$'000
Japan		
Canon	146,000	3,343
Daikin Industries	65,000	735
Fuji Photo Film Co	95,000	3,168
Iino Kaiun Kaisha	157,000	1,216
Makita Corp	35,000	674
Matsushita	44,000	964
Murata	15,000	799
<i>Total Japan</i>		10,899
Other Asia		
<i>Singapore</i>		
Comfort Group	1,370,000	1,518
<i>Korea</i>		
First Fire & Marine Insurance	11,000	584
Hyundai Marine & Fire Insurance Co.	12,000	872
Jinro Corporation	26,000	993
LG Insurance Co	5,500	518
		2,967
<i>Indonesia</i>		
Astra International Foreign	542,000	1,336
Jaya Realty Foreign	573,000	2,426
Smart Foreign	579,000	860
		4,622
<i>Hong Kong</i>		
Fairwood Holdings	2,306,000	323
National Mutual Asia	1,943,000	1,750
Orient Overseas International	574,000	371
		2,444
<i>Total Other Asia</i>		11,551
Australia		
Burswood Property Trust	900,000	1,314
Hills Motorway Trust stapled Ordinary Shares/Units	1,550,300	1,674
Mobile Communications Holdings	1,250,000	1,250
Reef Casino Trust	600,000	570
<i>Total Australia</i>		4,808
Western Europe		
<i>France</i>		
Alcatel Alsthom	17,220	2,185
Bollere Technologies	9,450	1,345
		3,530
<i>United Kingdom</i>		
Pentland Group	750,000	2,168
<i>Spain</i>		
Tabacalera - A Registered	68,708	3,623

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
30 June 1995

	Quantity	Market value \$'000
<i>Italy</i>		
CIR-Compagnie Industriali	660,000	712
Editoriale La Repubblica	329,800	551
Banca Popolare di Novara	95,000	619
Telecom Italia	168,000	643
		<u>2,525</u>
<i>Sweden</i>		
ICB Shipping - B Free	50,000	621
Pharmacia - A Free	74,000	2,275
		<u>2,896</u>
<i>Norway</i>		
Bergesen - Series A	33,000	1,057
<i>Germany</i>		
Draegerwerk Preferred	2,561	675
KSB Preferred	1,659	414
Phoenix	5,975	1,399
		<u>2,488</u>
<i>Switzerland</i>		
Groupe Publicitas	500	753
SIG Schweizersche Industrie Gesellschaft Holdings - Registered	417	664
Swisslog Holding - Registered	2,460	1,054
		<u>2,471</u>
<i>Total Western Europe</i>		<u>20,758</u>
Eastern Europe & Russia		
Firebird Fund L.P.	3,500,000	<u>3,008</u>
North America		
<i>Canada</i>		
Abitibi Price	115,087	2,629
Quno	76,843	1,913
		<u>4,542</u>
<i>United States</i>		
AMR	38,030	3,996
AMR Call Option	867	1,053
Apple Computer	73,440	4,802
Delta Airlines	53,230	5,528
Delta Airlines Call Option	580	980
Dow Jones & Co	36,025	1,870
International Business Machine	22,770	3,078
Lafarge	89,950	2,375
Masco	71,150	2,705
Overseas Shipholding	47,416	1,385
S&P 500 futures contracts	-60	(270)
Showboat	49,215	1,282
		<u>28,784</u>
<i>Total North America</i>		<u>33,326</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued

30 June 1995

	Quantity	Market value \$'000
South America		
<i>Brasil</i>		
Banco Itau - PN	1,930,230	826
Companhia Cervejaria Brahma - PN	2,964,700	1,368
Brahma - PN Rights	54,487	17
Banco Bradesco - PN	106,829,400	1,273
Banco Bradesco - PN Rights	2,487,310	38
Petroleo Brasileiro - PN	16,250,000	1,937
Souza Cruz	37,000	393
Telebras	16,170,000	645
		<u>6,497</u>
 <i>Peru</i>		
Cerveceria Backus & Johnston	13,000	403
Bayer Peru - Trab	74,230	99
Compania de Minas Buenaventura	44,812	362
Cia Cervesur Del - Trab	28,253	37
Donofrio Trab	353,538	276
Industrias Reunidas - Trab	8,744	8
Minsur - Trab	43,655	771
Industrias Pacocha - Rights	32,599	53
Industrias Pacocha - Trab	220,699	360
Peru Real Estate - B Common	2,000,000	1,474
		<u>3,843</u>
Total South American		10,340
 Africa		
De Beers Consolidated/ De Beers Centenary - ADR Linked Unit	30,700	1,135
Total Equities		95,825
 Liquids		
Outstanding settlements		761
Foreign exchange contracts		(409)
Cash		12,440
<i>Total Liquids</i>		<u>12,792</u>
Total Portfolio - note 16 (i) & (ii)		108,617
Accounted for in Creditors		417
Accounted for in Receivables		(907)
Total Portfolio - note 6		108,127

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
30 June 1995

16. Risk Management

It is the Company's investment objective to seek long term capital growth through value investing internationally in companies and businesses. The Investment Manager may also invest in fixed interest investments, although this is not the primary investment objective. The Company's investments are therefore subject to currency, interest rate and stock market risks.

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

The Company's investment restrictions prohibit it from taking positions in futures, options or other derivative products or short sales of securities if the aggregate exposure to those products exceeds 50% of the net asset value of the Company.

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

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

The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings. Where appropriate the Company utilises master netting agreements. The Company is also exposed to liquidity risks - the possibility of being unable to obtain the fair market value of a derivative owing to prevailing market conditions - and manages this risk by only using derivatives in liquid markets.

Refer to note 1 for the Accounting Policies adopted with respect to Derivatives and Currencies.

(i) Investments at Net Market Value and Derivatives Exposure

	Physical	Futures & Options	Upside (a)	Futures & Options	Downside (b)
	\$	\$	\$	\$	\$
Japan	10,899,057		10,899,057		10,899,057
Other Asia	11,551,528		11,551,528		11,551,528
Australia	4,808,324		4,808,324		4,808,324
Western Europe	20,756,682		20,756,682		20,756,682
Eastern Europe & Russia	3,008,068		3,008,068		3,008,068
North America	33,326,378	-9,109,422	24,216,956	-22,209,535	11,116,843
South America	10,340,300		10,340,300		10,340,300
Africa	1,134,716		1,134,716		1,134,716
	95,825,053	-9,109,422	86,715,631	-22,209,535	73,615,518
Liquids	12,792,195	9,109,422	21,901,617	22,209,535	35,001,730
Total net market value of portfolio	108,617,248	0	108,617,248	0	108,617,248

The above table categorises the Investment Portfolio in the same way that the Investment Manager does for day to day management.

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

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

(b) The "downside" column is an approximation of the Portfolio's exposure to downward moves in the market. It is calculated by adjusting the "physical" position for any short or long positions in shares or share index futures and bought put options. It is not necessary to adjust for call options as only the option premium (already included in "physical") is at risk, not the underlying holding callable by the option.

The Company uses futures contracts in liquid markets and generally utilises short dated contracts; those with 90 - 180 day maturities.

Initial margin requirements and daily variation margin requirements on futures contracts are met in cash. Futures contracts have little credit risk as they are traded on recognised exchanges.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
30 June 1995

(ii) Currency Exposure at Net Market Value

	Physical	Bought	Sold	Net Exposure
	\$	\$	\$	\$
Japan	11,351,324		21,967,748	-10,616,424
Other Asia	11,795,575			11,795,575
Australia	12,187,843	52,060,726		64,248,569
Western Europe	22,256,768	25,140,830	36,975,615	10,421,983
Eastern Europe & Russia	0			0
North America	40,140,727	10,278,795	28,536,988	21,882,534
South America	10,885,011			10,885,011
Africa	0			0
Total net market value of portfolio	108,617,248	87,480,351	87,480,351	108,617,248

The above table categorises the investments in the Portfolio into the currencies that the securities are issued in. For example a security issued by a Japanese company in US\$ will be categorised as a US\$ exposure.

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

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

(iii) Interest Rate Exposure

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

17. Franking Account

Estimated amounts of retained profits that could be distributed as dividends and be franked out of existing franking credits or out of existing franking credits arising from the payment of tax in the period subsequent to 30 June 1995, after deducting franking credits applicable to any proposed dividends.

Retained earnings

1995
\$'000

Nil

The estimated franking credits available to be distributed when there are sufficient profits to pay dividends are as follows:

On dividends received:

Franked at 39% (A)

14

Franked at 33% (B)

123

On tax paid and payable:

1993/1994

86

1994/1995

2,537

2,760

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued

30 June 1995

18. Investment Manager

(a) The Investment Manager is Platinum Asset Management. It receives a monthly management fee for investment services provided in accordance with the Investment Management Agreement. This agreement provides for a management fee payable monthly and calculated at 1.5% per annum of the Portfolio Value.

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

(c) At 30 June 1995 the cumulative pre-tax performance of the portfolio was 12.99% and the corresponding MSCI was 14.01%. Accordingly, a performance fee has not been accrued.

The 12.99% represents an underperformance against the MSCI of 1.02%; this amount will be carried forward as a deduction against subsequent years' performance fee calculations.

(d) The Investment Manager is to be paid a lump sum termination fee of 1.5% calculated on the value of the Portfolio on the 1st day of the month in which termination is effective. The fee is not payable if the termination results from the default or insolvency of the Investment Manager. Additionally a Bonus fee is payable for the period from the last calculation of the Bonus fee (as described in (b) above) to the date of termination.

Amounts paid and payable to the Investment Manager for the period

1,516

19. Contingent Liabilities

No contingent liabilities exist at balance date.

20. Segment Information

The Company was predominantly engaged in investment activities on world markets and derived revenue from sale of investments, interest and dividends. The Investment Manager does not invest with any pre-determined asset allocation ranges as it uses a stock selection methodology. Accordingly the results of the Company are a function of the Investment Portfolio and its make up is a function of the stock selection process. As the Investment Portfolio's composition varies dependent on stock selection decisions it is not considered appropriate to allocate revenues to some pre-determined contrived segment, which would be contradictory to the investment objective of the Company.

21. Subsequent Events

No significant events have occurred since balance date which would impact the financial position of the Company as at 30 June 1995 and the results for the period ended on that date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
30 June 1995

22. Related Party Information

(a) Directors

The Directors named in the attached Directors' report each held office as a Director of the Company throughout the period to 30 June 1995, with the exception of PA Pearce (appointed 3 May 1994).

(b) Directors' Remuneration

Remuneration received or receivable by the Directors to the Company, including aggregate amounts paid to superannuation plans is disclosed in Note 4 to the Accounts.

The number of Directors of the Company included in the figures disclosed in Note 4 to the Accounts are shown below in their relevant income bands:

\$20,000 - \$29,999

2

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

(c) Interests in the Company by Directors and their Related Interests

Upon the initial subscription to the Company pursuant to the prospectus dated 5 May 1994, the aggregate number of shares and options issued to the Directors of the Company and their Director-related entities during the period were:

	Shares	Options
MG Darling	2,250,000 *	1,125,000 *
PA Pearce	25,000	12,500
WK Neilson	200,001	100,000
AM Clifford	50,001	25,000
RM Halstead	40,001	20,000

* During the period MG Darling acquired a relevant interest in an additional 1,050,000 shares in the Company and sold 1,125,000 options.

The aggregate number of shares and share options held by Directors of the Company and their Director-related entities at balance date:

MG Darling	3,300,000	-
PA Pearce	25,000	12,500
WK Neilson	200,001	100,000
AM Clifford	50,001	25,000
RM Halstead	40,001	20,000

DIRECTORS' STATEMENT

In accordance with a resolution of the Directors of Platinum Capital Limited, in the opinion of the directors:

- (a) the accompanying financial statements of the Company are drawn up in accordance with Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law so as to give a true and fair view of the loss of the Company for the period to 30 June 1995 and the state of affairs of the Company as at 30 June 1995.
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as when they fall due and; and
- (c) the accompanying financial statements have been made out in accordance with applicable accounting standards and other mandatory professional reporting requirements.

For and on behalf of the Board

MG Darling
Director

WK Neilson
Director

Sydney
18 August 1995

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF PLATINUM CAPITAL LIMITED

Scope

We have audited the financial statements of Platinum Capital Limited (the Company) for the period ended 30 June 1995 as set out on pages 10 to 25. The Company's directors are responsible for the preparation and presentation of these financial statements and information contained therein. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with the Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements, being Urgent Issues Group Consensus Views and the Corporations Law so as to present a view which is consistent with our understanding of the Company's state of affairs, the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis

Audit Opinion

In our opinion the Financial Statements of the Company are properly drawn up :

(a) so as to give a true and fair view of:

(i) the state of affairs of the Company as at 30 June 1995 and its results and cash flows for the period ended on that date; and

(ii) the other matters required by Division 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;

(b) in accordance with the provisions of the Corporations Law;

(c) in accordance with applicable accounting standards and other mandatory professional reporting requirements

Price Waterhouse
Chartered Accountants

PK Merrett

Partner

Sydney
18 August 1995

DIRECTORY

Directors

Michael Darling
Philip Pearce
Kerr Neilson
Andrew Clifford
Malcolm Halstead

Secretary

Malcolm Halstead

Registered Office

Level 21, Gold Fields House
1 Alfred Street
Sydney NSW 2000
Phone (61 2) **255 7500**

Share Registrars

Ernst & Young Registry Services Pty Limited
Level 2, 321 Kent Street
Sydney NSW 2000
Phone (61 2) **290 4111**

Auditors and Taxation Advisors

Price Waterhouse
201 Kent Street
Sydney NSW 2000

Solicitors

Allen Allen & Hemsley
2 Chifley Square
Sydney NSW 2000

Stock Exchange Listing

Official list of the Australian Stock Exchange Limited
Ordinary Shares ASX Code **PMC**
Options ASX Code **PMCO**

Investment Manager

Platinum Asset Management

Kerr Neilson	<i>Global</i>
Andrew Clifford	<i>S.E. Asia, Japan, India</i>
Jim Simpson	<i>S.E. Asia, Japan</i>
Stephen Arnold	<i>North America</i>
Toby Harrop	<i>Europe, Currencies</i>
Rod Sleath	<i>Europe</i>
James Carnegie	<i>South America</i>
Liz Norman	<i>Shareholder investment queries</i>