

# **PLATINUM CAPITAL® LIMITED**

**ABN 51 063 975 431**

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

# PLATINUM CAPITAL LIMITED

## REPORT TO SHAREHOLDERS

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Platinum Capital Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

# PLATINUM CAPITAL LIMITED

## REPORT TO SHAREHOLDERS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

### DIRECTORS' REPORT

In respect of the half-year ended 31 December 2006, the Directors of Platinum Capital Limited (the Company) submit the following report made out in accordance with a resolution of the Directors.

#### Directors

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

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

#### Principal Activity

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

#### Review of Operations

##### Operating Result

The net profit before tax was \$5,398,000 and the net profit after tax was \$3,902,000 (2005: net profit of \$42,247,000 before tax and a net profit of \$29,635,000 after tax).

##### Taxation

Income tax expense for the period was \$1,496,000 (2005:\$12,612,000).

##### Dividends

The Directors have determined to pay to Shareholders, registered on 19 February 2007 (record date), a fully franked interim dividend of 5 cents per share (2006: interim 5 cents per share).

The decision to pay an unchanged interim dividend is in accordance with the Directors' policy of smoothing payments over the years. The Company's ability to pay fully franked dividends is a function of the return earned on the portfolio over time.

##### Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company that occurred during the financial period, other than those disclosed in this report or the financial statements.

##### Likely Developments

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

##### Auditors Independence Declaration

A copy of the Auditors' Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

##### Rounding Off of Amounts

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

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

#### Graeme Galt

Director

#### Kerr Neilson

Director

Sydney

8 February 2007

## Auditors' Independence Declaration

As lead auditor for the review of Platinum Capital Limited for the half-year ended 31 December 2006, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Platinum Capital Limited during the half-year.

AJ Loveridge  
Partner  
PricewaterhouseCoopers

Sydney  
8 February 2007

**Income Statement**

For The Half-Year Ended 31 December 2006

		Half-year	
		31 Dec 2006	31 Dec 2005
		\$'000	\$'000
	Notes		
<b>Investment income</b>			
Dividends		958	825
Interest		299	179
Net gains/(losses) on equities/derivatives		4,536	44,474
Net gains/(losses) on forward currency contracts		3,445	(1,433)
Net gains/(losses) on overseas bank accounts		(1,344)	619
<b>Total investment income</b>		<u>7,894</u>	<u>44,664</u>
<b>Expenses</b>			
Management fee		1,638	1,526
Custody		86	112
Share registry		115	120
Continuous reporting disclosure		188	209
Directors' fees		82	84
Auditors' remuneration			
- Auditing and review (\$50,740, 2005:\$56,950)		51	57
- Taxation services (\$19,910, 2005:\$33,723)		20	34
- Advisory services (\$2,955, 2005:\$3,388)		3	3
Transaction costs		88	120
Withholding tax on foreign dividends		104	42
Other expenses		121	110
<b>Total expenses</b>		<u>2,496</u>	<u>2,417</u>
<b>Profit/(loss) before income tax</b>		<u>5,398</u>	<u>42,247</u>
Income tax expense	2	<u>1,496</u>	<u>12,612</u>
<b>Profit/(loss) after income tax</b>		<u>3,902</u>	<u>29,635</u>
<b>Basic earnings per share (cents per share)</b>	4	<u>3.20</u>	<u>24.85</u>
<b>Diluted earnings per share (cents per share)</b>	4	<u>3.20</u>	<u>24.85</u>

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

**Balance Sheet**

As At 31 December 2006

		31 Dec 2006 \$'000	30 Jun 2006 \$'000
	Notes		
<b>Assets</b>			
Financial assets held at fair value through profit or loss	7	195,734	195,710
Cash and cash equivalents		17,084	28,070
Receivables		829	417
Deferred tax assets	2(b)	121	76
<b>Total Assets</b>		<b>213,768</b>	<b>224,273</b>
<b>Liabilities</b>			
Payables		2,237	814
Income tax payable		474	8,307
Deferred tax liabilities	2(c)	8,107	7,578
<b>Total Liabilities</b>		<b>10,818</b>	<b>16,699</b>
<b>Net Assets</b>		<b>202,950</b>	<b>207,574</b>
<b>Equity</b>			
Contributed equity		141,361	137,727
Retained profits		61,589	69,847
<b>Total Equity</b>		<b>202,950</b>	<b>207,574</b>

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

**Statement of Changes in Equity**  
For The Half-Year Ended 31 December 2006

	Notes	Half-year	
		31 Dec 2006 \$'000	31 Dec 2005 \$'000
<b>Total equity at the beginning of the half-year</b>		<b>207,574</b>	<b>185,550</b>
<b>Profit for the half-year</b>		3,902	29,635
<b>Total recognised income and expense for the half-year</b>		<b>3,902</b>	<b>29,635</b>
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transactions costs	3	3,634	3,542
Dividends paid	6	(12,160)	(11,882)
		<b>(8,526)</b>	<b>(8,340)</b>
<b>Total equity at the end of the half-year</b>		<b>202,950</b>	<b>206,845</b>

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

**Cash Flow Statement**

For The Half-Year Ended 31 December 2006

	Half-year	
	31 Dec 2006	31 Dec 2005
	\$'000	\$'000
	Inflows	Inflows
	(Outflows)	(Outflows)
Notes		
<b>Cash flows from operating activities</b>		
Dividends received	972	840
Interest received	295	183
Cost of purchases of financial assets	(64,401)	(70,025)
Proceeds from sale of financial assets	73,201	80,231
Management fee paid	(1,636)	(1,498)
Other expenses	(802)	(826)
Income tax paid	(8,845)	(2,463)
<b>Net cash from operating activities</b>	<b>(1,216)</b>	<b>6,442</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(12,100)	(11,778)
Proceeds from issue of shares	3,634	3,542
<b>Net cash from financing activities</b>	<b>(8,466)</b>	<b>(8,236)</b>
Net increase/(decrease) in cash and cash equivalents	(9,682)	(1,794)
Cash and cash equivalents held at the beginning of the half-year	28,070	15,667
Effects of exchange rate changes on cash and cash equivalents	(1,304)	619
<b>Cash and cash equivalents held at the end of the half-year</b>	<b>17,084</b>	<b>14,492</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

For The Half-Year Ended 31 December 2006

### 1. Summary Of Significant Accounting Policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with AASB 134: *Interim Financial Reporting*, other mandatory professional reporting requirements and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made in respect of Platinum Capital Limited during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. Comparative information has been reclassified where appropriate to enhance comparability.

### 2. Income Tax

(a) The income tax expense/(benefit) attributable to operating profit/(loss) comprises:

	Half-year	
	31 Dec 2006	31 Dec 2005
	\$'000	\$'000
Current income tax provision	1,047	4,890
Deferred tax liabilities	529	7,711
Deferred tax assets	(45)	3
Under/(over) provision of prior period tax	(35)	8
	<u>1,496</u>	<u>12,612</u>

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

Operating profit/(loss) before income tax expense	<u>5,398</u>	<u>42,247</u>
Prima facie income tax on operating profit/(loss) at 30%	1,619	12,674
Tax effect on temporary differences which:		
<i>Reduce tax payable</i>		
Allowable credits	(88)	(70)
Under/(over) provision of previous period tax	(35)	8
<b>Income tax expense/(benefit)</b>	<u>1,496</u>	<u>12,612</u>

(b) Deferred tax assets

	31 Dec 2006	30 Jun 2006
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Auditing and review	15	15
Taxation services	6	6
Preparation of Annual report	41	55
Preparation of Quarterly report	9	-
Accounting/Tax cost adjustment	50	-
<b>Deferred tax assets</b>	<u>121</u>	<u>76</u>

(c) Deferred tax liabilities

The balance comprises temporary differences attributable to:		
Dividends receivable	20	24
Accounting/Tax cost adjustment	-	(56)
Unrealised gains on financial assets	8,087	7,610
<b>Deferred tax liabilities</b>	<u>8,107</u>	<u>7,578</u>

## NOTES TO THE FINANCIAL STATEMENTS

For The Half-Year Ended 31 December 2006 (continued)

		Half-year		Half-year	
		31 Dec 2006 Quantity	31 Dec 2006 \$'000	31 Dec 2005 Quantity	31 Dec 2005 \$'000
<b>3. Equity Issued</b>					
Dividend reinvestment plan	18-Nov-05	-	-	1,816,411	3,542
Reinvestment of unclaimed dividends	31-Aug-06	7,635	18	-	-
Dividend reinvestment plan	17-Nov-06	1,519,329	3,616	-	-
<b>Issues of Ordinary Shares during the half-year</b>		<u>1,526,964</u>	<u>3,634</u>	<u>1,816,411</u>	<u>3,542</u>

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

For reinvestment of unclaimed dividends, additional shares are issued at the last sale price of the Company's shares on the first business day following the expiration six months from the date of payment of the relevant dividend.

### Ordinary Shares

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

	Half-year	
	31 Dec 2006	31 Dec 2005
<b>4. Earnings per Share</b>		
Basic earnings per share - cents per share	<u>3.20</u>	<u>24.85</u>
Diluted earnings per share - cents per share	<u>3.20</u>	<u>24.85</u>
Weighted average number of Ordinary Shares on issue used in the calculation of basic and diluted earnings per share	<u>121,976,335</u>	<u>119,263,102</u>
	\$'000	\$'000
<b>Earnings used in the calculation of basic and diluted earnings per share</b>	<u>3,902</u>	<u>29,635</u>

There have been no conversions to, calls of, or subscriptions for Ordinary Shares other than those issued under the dividend reinvestment plan, or issues of potential Ordinary Shares during the period.

As there are no potential Ordinary Shares, diluted earnings per share equals basic earnings per share.

	31 Dec 2006	30 June 2006
	\$'000	\$'000
<b>5. Statement of Net Asset Value</b>		
<b>Reconciling Net Asset Value in accordance with AIFRS to that reported to the ASX*</b>		
Net Asset Value per Balance Sheet	202,950	207,574
Add:		
Difference between bid price under AIFRS and last sale price	1,053	801
Adjustment to payables/(receivables)	24	(17)
Less:		
Deferred income tax on unrealised (gain)/loss on financial assets	(316)	(240)
Adjustment to withholding tax credits	(14)	0
Net Asset Value	<u>203,697</u>	<u>208,118</u>
<b>Net Asset Value - cents per share</b>	<u>165.44</u>	<u>171.15</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For The Half-Year Ended 31 December 2006 (continued)

	Half-year		Half-year	
	31 Dec 2006 cps	31 Dec 2006 \$'000	31 Dec 2005 cps	31 Dec 2005 \$'000
<b>6. Dividends</b>				
Paid - Final Fully Franked @30%	10.00	12,160	10.00	11,882

Since the period end, the Directors have determined to pay a fully franked interim dividend of 5 cents per fully paid Ordinary Share. This dividend has not been provided for as at 31 December 2006.

	31 Dec 2006 \$'000	30 Jun 2006 \$'000
	Fair Value	Fair Value
Listed and non-listed securities	194,165	195,013
Foreign currency contracts	1,569	697
<b>Total investment portfolio</b>	<b>195,734</b>	<b>195,710</b>

The Company has applied AIFRS to the comparative information on financial assets within the scope of AASB 132 and AASB 139.

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

## 8. Investment Manager

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.

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

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

At 31 December 2006, the half-year pre-tax performance of the portfolio was 2.63% and the corresponding MSCI was 7.43%. This represents an underperformance of 4.80% against the MSCI. This does not represent an outperformance after the 5% MSCI hurdle. Accordingly, a Bonus fee has not been accrued.

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

	Half-year	
	31 Dec 2006 \$'000	31 Dec 2005 \$'000
Management fee	1,638	1,526
Bonus fee	-	-
Amounts paid and payable to the Investment Manager for the period	<b>1,638</b>	<b>1,526</b>

## 9. Contingent Liabilities and Commitments for Expenditure

No contingent liabilities exist at balance date.

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

**NOTES TO THE FINANCIAL STATEMENTS**

For The Half-Year Ended 31 December 2006 (continued)

**10. Segment Information**

	Half-year		Half-year	
	31 Dec 2006	31 Dec 2006	31 Dec 2005	31 Dec 2005
	\$'000	\$'000	\$'000	\$'000
	Revenue	Result	Revenue	Result
Japan	(2,612)	(2,647)	22,466	22,400
Other Asia	3,313	3,268	9,771	9,732
Australia	(737)	(737)	(285)	(285)
Europe - Euro	3,059	3,009	3,885	3,871
Europe - Other	1,526	1,525	1,524	1,534
North America	53	(8)	7,864	7,811
South America	13	13	31	31
Africa	(166)	(166)	841	841
Unallocated Revenue - Net gains/(losses) on forward currency contracts	3,445	3,445	(1,433)	(1,433)
Unallocated Expenses		(2,304)		(2,255)
<b>Total</b>	<b>7,894</b>	<b>5,398</b>	<b>44,664</b>	<b>42,247</b>

**11. Events occurring after balance sheet date**

No significant events have occurred since balance date which would impact the Balance Sheet of the Company as at 31 December 2006 and the results for the half-year ended on that date.

## DIRECTORS' DECLARATION

In the Directors' opinion,

- (a) the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001* including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date;
- (b) there are reasonable grounds to believe that Platinum Capital Limited will be able to pay its debts as and when they become due and payable.

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

**Graeme Galt**  
Director

**Kerr Neilson**  
Director

Sydney  
8 February 2007

**INDEPENDENT AUDITOR'S REVIEW REPORT  
to the members of Platinum Capital Limited**

**PricewaterhouseCoopers  
ABN 52 780 433 757**

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**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Platinum Capital Limited (the company), which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Platinum Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

*Matters relating to the electronic presentation of the reviewed financial report.*

This review report relates to the financial report of Platinum Capital Limited (the company) for the half-year ended 31 December 2006 included on Platinum Capital Limited's web site. The company's directors are responsible for the integrity of the Platinum Capital Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Platinum Capital Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations regulations 2001*.

PricewaterhouseCoopers

AJ Loveridge  
Partner

Sydney  
8 February 2007

## **DIRECTORY**

### **Directors**

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

### **Secretary**

Malcolm Halstead

### **Investment Manager**

Platinum Asset Management®

### **Shareholder Liaison**

Liz Norman

### **Registered Office**

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Sydney NSW 2000  
Phone 1300 726 700 and (61 2) 9255 7500  
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### **Share Registrar**

Computershare Investor Services Pty Ltd  
Level 3, 60 Carrington Street  
Sydney NSW 2000  
Phone 1300 855 080 and (61 3) 9415 4000

### **Auditor and Taxation Advisor**

PricewaterhouseCoopers  
201 Sussex Street  
Sydney NSW 2000

### **Solicitor**

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

### **Securities Exchange Listing**

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

### **Website**

[www.platinumcapital.com.au](http://www.platinumcapital.com.au)

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