ANNUAL REPORT 2016

PLATINUM CAPITAL LIMITED

Platinum® CAPITAL LIMITED

ABN 51 063 975 431

DIRECTORS
BRUCE COLEMAN
RICHARD MORATH
JIM CLEGG

COMPANY SECRETARY
ANDREW STANNARD (FROM 29 JULY 2016)

INVESTMENT MANAGER
PLATINUM INVESTMENT MANAGEMENT LIMITED
(TRADING AS PLATINUM ASSET MANAGEMENT®)

SHAREHOLDER LIAISON
LIZ NORMAN

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AUDITOR AND TAXATION ADVISOR
PRICEWATERHOUSECOOPERS
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SECURITIES EXCHANGE LISTING
PLATINUM CAPITAL LIMITED SHARES ARE LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE (ASX CODE: **PMC**)

WEBSITE
WWW.PLATINUM.COM.AU/OUR-FUNDS/PLATINUM-CAPITAL-LIMITED/

CORPORATE GOVERNANCE STATEMENT
WWW.PLATINUM.COM.AU/DOCUMENTS/SHAREHOLDERS/PMC_CORP_GOV.PDF

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CHAIRMAN'S REPORT

Investment Performance

The Platinum Capital Limited (PMC) portfolio is structured quite differently to that of its benchmark index. This is not unusual and is an outcome of the proven investment philosophy and process of our Investment Manager that has delivered well above average long-term results for shareholders of PMC. The price to be paid in following this investment process is that there will be shorter term periods when returns are below par – this was one of those years.

In the year ending 30 June 2016, PMC's Net Asset Value (NAV) decreased by 7.28% pre-tax, after fees and expenses and assuming the reinvestment of dividends, versus the benchmark Morgan Stanley Capital International All Country World Net Index [MSCI] in $A terms remaining flat. The 12 months return from the Australian All Ordinaries Accumulation Index was 2.01%. After allowing for all tax liabilities, both realised and unrealised, the Company's NAV decreased by 5.08%.

PMC's portfolio suffered from its underweighting to the strongly performing US market and commensurate overweighting to the weaker Chinese, Japanese and European markets. The US market, which comprises nearly 54% of the benchmark, delivered 6% (in AUD terms), whilst the rest of the world decreased 7% (in AUD terms). We are also underweight the strongly performing Consumer Staples sector which is slow-growing and regarded as overvalued. In contrast, the Investment Manager advises that "the portfolio is predominantly composed of growing companies and those that are paying back decent amounts of income to shareholders and, by our calculations, likely to grow, though in the main slowly."

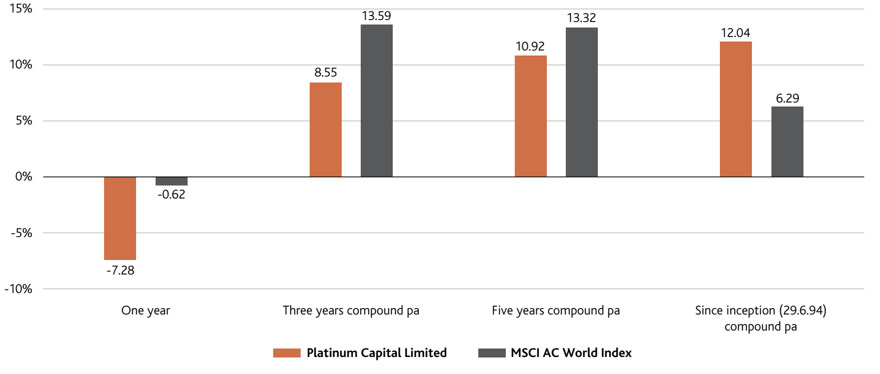
Shareholder Returns

Total shareholder return, measured in terms of the change in the Company share price plus dividends paid, was down 3.39% for the 12 months to 30 June 2016. However when added to the 5.95% return for the 12 months to 30 June 2015, and the exceptional 27.24% return for the 12 months to 30 June 2014, it is clear that shareholder return over the last three years has been good.

Since inception (in 1994), the compound annual appreciation of the Company's net assets on a pre-tax basis has been 12.04% per annum compared to the return from the MSCI All Country World Net Index of 6.29%. The comparable return from the Australian All Ordinaries Accumulation Index has been 8.14% annually over the same 22 years.

Your Board believes the Company's long-term track record demonstrates that the investment philosophy and process of our Investment Manager delivers solid risk adjusted returns for patient investors.

PRE-TAX NET ASSET VALUE RETURN (%) VERSUS MSCI INDEX* TO 30 JUNE 2016



* Morgan Stanley Capital International All Country World Net Index
Note: Pre-tax NAV return is after the deduction of management fees and other expenses.
Source: Platinum and MSCI

For the year ended 30 June 2016, the Company made a statutory pre-tax operating loss of $26.8 million and a post-tax operating loss of $18.8 million.

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

Therefore, despite the losses made this year, your Directors continue to maintain that a more appropriate measure of the Company's results is the percentage change in its pre-tax NAV plus dividends paid. On this measure, the Company's pre-tax NAV decreased to $1.44 at 30 June 2016 and, after adjusting for dividends and taxes, this represents a decrease of 7.28%.

CHAIRMAN'S REPORT
CONTINUED

Dividends

A fully-franked dividend of 4 cents will be paid for the year ended 30 June 2016, making 7 cents for the full year.

I am pleased to report that the Company has been steadily building up its pool of available franking credits as a result of realised profits derived during the year and the associated tax payments.

The Company continues its policy of dividend smoothing and does its best to ensure that there are sufficient franking credits available to pay fully-franked dividends in the future. The ability to generate fully-franked dividends will continue to be dependent on the Company's ability to generate realised profits and pay tax.

To the extent that any profits are not distributed as dividends, the Company has implemented a policy, where it may set aside some or all of its undistributed profits to a separate dividend profit reserve, to facilitate the payment of future fully-franked dividends. The benefit of the dividend profit reserve for the Company is that it will have a pool of undistributed profits available for distribution, subject to the balance of the franking account.

Hence, despite the current year operating loss, a dividend can be declared out of the dividend profit reserve.

Changes to the Board

As previously advised, Kerr Neilson was Managing Director until his resignation on 21 August 2015. Andrew Clifford was Executive Director until his resignation on 21 August 2015.

The changes to the Board were made for two reasons:

(a) to bring the Company in line with contemporary corporate governance practices by having independent directors comprising a majority of the Board; and

(b) to make the composition of the Company's Board consistent with the Board structure of the new Platinum LIC, Platinum Asia Investments Limited (ASX code: PAI).

Both Kerr Neilson and Andrew Clifford have continued in their positions as current Chief Executive Officer and Chief Investment Officer of Platinum Investment Management Limited (PIML) (the "Investment Manager").

Changes to Fee Structure

At the 2015 Annual General Meeting (AGM) for the Company, shareholders passed a resolution that changed the management and performance fees payable by the Company to the Investment Manager, with effect on and from 1 January 2016.

The fee structure effective up until 31 December 2015 comprised of a base management fee of 1.5% per annum of the Company's portfolio value and a performance fee of 10% per annum of the amount by which the portfolio's annual performance (at 30 June) exceeded the return achieved by the benchmark Morgan Stanley Capital International All Country World Net Index (MSCI) in $A terms plus a 5% hurdle.

The fee structure effective on and from 1 January 2016 comprised a lower base management fee of 1.1% per annum of the Company's portfolio value and a performance fee of 15% per annum of the amount by which the portfolio's annual return (at 30 June) exceeds the MSCI return.

Capital Management

Throughout the year to 30 June 2016, the Company's share price has traded at a premium to pre-tax NAV. The Board has actively considered capital management initiatives during the year, but after considering the view of the Investment Manager in regard to timing, we have not undertaken any initiatives. This is subject to ongoing review by the Board in conjunction with the input of the Investment Manager.

The Board advises that it has reconsidered its decision of 2010 to discontinue Share Purchase Plans and now may utilise them in future, if deemed appropriate.

Corporate Governance

As shareholders would be aware, PMC's funds are ultimately managed by Platinum Investment Management Limited through two key agreements previously approved by shareholders: the Investment Management Agreement and the Administrative Services Agreement.

In the past year, the Non-Executive Directors report that they have continued to monitor the performance of the Investment Manager and its adherence to the agreements with the full and transparent co-operation of Platinum Investment Management Limited and its management team. We are accordingly confident in the integrity and reporting of the Company's financial results to shareholders.

CHAIRMAN'S REPORT
CONTINUED

Outlook for 2016-2017

As highlighted recently by our Investment Manager, "there are mixed signals about the general state of world growth. When assessing our portfolio, we assume relatively slow growth and, for the present, little threat of an inflation uplift notwithstanding the improving price trend of various commodities. Profits will remain hard to grow, but when companies with strong market positions are on offer at P/E multiples of 12 to 14 times this year's earnings, a degree of risk has already been accounted for."

Finally

The long-term performance of the Company continues to endorse the investment philosophy, process and expertise of the Investment Manager. Accordingly I wish to express my appreciation of the work done by Kerr Neilson, Andrew Clifford and their team over the last year.

Bruce Coleman

Chairman

19 August 2016

FINANCIAL STATEMENTS 2016

PLATINUM CAPITAL LIMITED

General information
The financial statements were authorised for issue, in accordance with a resolution of Directors, on 19 August 2016. The Directors have the power to amend and reissue the financial statements.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 16 August 2016.

Distribution of Equity Securities

Analysis of number of equity security holders by size of holding:

	NUMBER OF HOLDERS OF ORDINARY SHARES
1 to 1,000	1,027
1,001 to 5,000	2,410
5,001 to 10,000	2,489
10,001 to 100,000	5,361
100,001 and over	242
	11,529
Holding less than a marketable parcel (of $500)	566

Substantial Holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	ORDINARY SHARES NUMBER HELD	% OF TOTAL SHARES ISSUED
Australian Executor Trustees Limited	4,533,700	1.93
Nulis Nominees (Australia) Limited	2,203,235	0.94
K Neilson	1,977,646	0.84
Moya Pty Limited	1,694,406	0.72
HSBC Custody Nominees (Australia) Limited	1,191,478	0.51
Navigator Australia Limited	1,062,574	0.45
Citicorp Nominees Pty Limited	1,043,765	0.44
Forsyth Barr Custodians Limited	918,019	0.39
Bond Street Custodians Limited	850,000	0.36
Netwealth Investments Limited	740,192	0.31
IOOF Investment Management Limited	732,894	0.31
Australian Executor Trustees Limited – a/c 2	700,030	0.30
J P Morgan Nominees Australia Limited	693,282	0.30
Metropolitan Cemeteries Board	645,000	0.27
Mr Raymond Ireson	613,843	0.26
HSBC Custody Nominees (Australia) Limited – a/c 2	595,679	0.25
O'Keefe Aus Holdings Pty Limited	525,000	0.22
Custodial Services Limited	514,373	0.22
Mr Robert John Webb	500,000	0.21
Bond St Custodians Limited	466,792	0.20
	22,201,908	9.43

There are no substantial holders in the Company.

SHAREHOLDER INFORMATION
CONTINUED

Voting Rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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

Financial Calendar

Ordinary shares trade ex-dividend	24 August 2016
Record (books close) date for dividend	25 August 2016
Dividend paid	13 September 2016

These dates are indicative and may be changed.

Notice of Annual General Meeting
The details of the Annual General Meeting (AGM) of Platinum Capital Limited are:

10am Thursday 27 October 2016
Ballroom 4
The Westin Sydney
1 Martin Place
NSW 2000

Questions for the AGM
If you would like to submit a question prior to the AGM to be addressed at the AGM you may email your question to invest@platinum.com.au.

INVESTMENT METHODOLOGY

Platinum Capital Limited (the "Company") is an investment company listed on the Australian Securities Exchange and open to investors who wish to purchase shares in the same way as one might buy shares in NAB or BHP. The Company is taxed at source and pays dividends to shareholders (usually fully-franked) where possible. This feature, and the closed nature of the Company, distinguishes it from unlisted managed investment trusts.

The Company delegates the investment function to Platinum Investment Management Limited (trading as Platinum Asset Management) (the "Manager"). This entity employs an investment team which is responsible for managing the investments of the Company. The Company is a separate legal entity and shareholders in the Company have no ownership interest in Platinum Investment Management Limited.

Platinum Investment Management Limited's investment process has been well tested over many years. The principles on which it is based have not varied since inception, although some refinements have evolved over time.

Platinum Investment Management Limited seeks a broad range of investments globally whose businesses and growth prospects, it believes, are being inappropriately valued by the market. After identifying key themes and preferred industries, with due consideration of the macro environment, the portfolio is then built up through individual stock selection. How each stock will fit and function within the portfolio is also carefully assessed.

By locating all research personnel together in one place, Platinum Investment Management Limited facilitates the cross pollination of ideas and free flow of information between managers with different geographic and industry responsibilities. It has the further benefit that distance acts as a filter and calming influence enabling a more objective assessment of "noisy" markets. This process is well supported by extensive visits to companies and key regions.

The wealth of research and detailed analysis that leads to the consideration of a stock addition/retention/reduction in the portfolio takes form in a disciplined reporting process that is open to the critical scrutiny of divergent thinking peers. This process serves to challenge and encourage analysts and to "test" each investment decision, as well as add accountability to the process.

For a more detailed look at Platinum Investment Management Limited's investment process, we would encourage you to visit Platinum's website at the following link:

www.platinum.com.au/about-us/investment-process/

DIRECTORS' REPORT

In respect of the year ended 30 June 2016, the Directors of Platinum Capital Limited (the "Company") submit the following report prepared in accordance with a resolution of the Directors.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Bruce Coleman	Chairman and Non-Executive Director
Richard Morath	Non-Executive, Independent Director
Jim Clegg	Non-Executive, Independent Director

Kerr Neilson was Managing Director until his resignation on 21 August 2015.
Andrew Clifford was Executive Director until his resignation on 21 August 2015.

The changes to the Board were made for two reasons:

(a) to bring the Company in line with contemporary corporate governance practices by having independent directors comprising a majority of the Board; and

(b) to make the composition of the Company's Board consistent with the Board structure of the new Platinum LIC, Platinum Asia Investments Limited (ASX code: PAI).

Both Kerr Neilson and Andrew Clifford have continued in their positions as current Chief Executive Officer and Chief Investment Officer of Platinum Investment Management Limited (PIML) (the "Investment Manager").

Company Secretary

Janna Vynokur was Company Secretary of the Company from her date of appointment (25 May 2015) to 29 July 2016. Andrew Stannard was appointed Interim Company Secretary of the Company on 29 July 2016.

Principal Activities

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

Operating and Financial Review

The net loss before tax was $26,791,000 (2015: profit of $63,519,000) and net loss after tax was $18,764,000 (2015: profit of $44,826,000). The income tax benefit for the year was $8,027,000 (2015: expense of $18,693,000).

The Directors consider that pre-tax Net Asset Value (NAV), after fees and expenses, combined with the flow of dividends is a better measure of performance of the Company. For the 12 months to 30 June 2016, the Company's pre-tax NAV decreased from $1.70 per share to $1.44 per share. Part of this decline is attributed to the 2015 final fully-franked dividend of 6 cents per share and the 2016 interim fully-franked dividend of 3 cents per share which were paid to shareholders during the year ended 30 June 2016.

For the 12 months to 30 June 2016, the Company's pre-tax NAV, after fees and expenses, and assuming reinvestment of dividends, decreased by 7.28% whereas the benchmark Morgan Stanley Capital International All Country World Net Index (MSCI) in $A terms decreased by 0.62%. The Company's 3 year pre-tax compound NAV return was 8.55% per annum (versus the benchmark return of 13.59%) and the Company's 5 year pre-tax compound NAV return was 10.92% (versus the benchmark return of 13.32%).

The composition of the Company's portfolio is generally quite different to the MSCI benchmark. This will cause the Company's performance to vary markedly from the benchmark from time to time.

This variance is not unusual and this different investment methodology is the reason why the Company has been able to deliver strong absolute returns over the medium and long-term despite having lower net exposure (and therefore less risk) to the market, in keeping with the Company's stated absolute return focus.

The year ended 30 June 2016 was marked by low global economic growth, tremors in the Chinese share market, and more recently, uncertainty caused by the "Brexit" vote. These factors created a challenging investment environment.

The Company is in a strong financial position with an extremely strong balance sheet and few liabilities.

The Chairman's Report contains further information about the Company's performance for the year.

Adoption of New Fee Structure

At the 2015 Annual General Meeting (AGM) for the Company, shareholders passed a resolution that changed the management and performance fees payable by the Company to Platinum Investment Management Limited, with effect on and from 1 January 2016.

The fee structure effective up until 31 December 2015 comprised of a base management fee of 1.5% per annum of the Company's portfolio value and a performance fee of 10% per annum of the amount by which the portfolio's annual performance (at 30 June) exceeded

DIRECTORS' REPORT
CONTINUED

the return achieved by the benchmark Morgan Stanley Capital International All Country World Net Index (MSCI) in $A terms plus a 5% hurdle.

The fee structure effective on and from 1 January 2016 comprises a lower base management fee of 1.1% per annum of the Company's portfolio value and a higher performance fee of 15% per annum of the amount by which the portfolio's annual return (at 30 June) exceeds the MSCI return. The 5% hurdle has been removed. Any accumulated underperformance by the Company against the MSCI must be made up first before a performance fee will be paid to Platinum Investment Management Limited. The accumulated underperformance to 31 December 2015 that has to be made up before a performance fee is payable was 10.4255%. PricewaterhouseCoopers were engaged by the Directors to undertake certain agreed upon procedures to assist the Directors in their review of the carried forward underperformance amount.

Dividends
On 19 August 2016, the Directors declared a final 2016 fully-franked dividend of 4 cents per share ($9,413,000), with a record date of 25 August 2016, payable to shareholders on 13 September 2016, out of the dividend profit reserve. The interim 2016 fully-franked dividend of 3 cents per share ($7,037,000) was paid on 4 March 2016.

The dividend reinvestment plan (DRP) discount is at a 2.5 per cent discount to the relevant share price.

Capital Management
Throughout the year to 30 June 2016, the Company's share price has traded at a premium to pre-tax NAV. The Board has actively considered capital management initiatives during the year, but after considering the view of the Investment Manager in regard to timing, we have not undertaken any initiatives. This is subject to ongoing review by the Board in conjunction with the input of the Investment Manager.

The Board advises that it has reconsidered its decision of 2010 to discontinue Share Purchase Plans and now may utilise them in future, if deemed appropriate.

Matters Subsequent to the End of the Financial Year
Apart from the dividend declared, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

The Company will continue to pursue its investment objective, which is to generate strong investment returns over time. The methods of operating the Company are not expected to change in the foreseeable future.

Environmental Regulation

The Company is not adversely impacted by any particular or significant environmental regulation under Commonwealth, State or Territory law.

Information on Directors

Bruce Coleman BSC, BCOM, CA, FFIN
Chairman since 5 June 2015, Non-Executive Director since April 2004 and member of the Audit, Risk and Compliance Committee. (Age 66)

Mr Coleman has worked in the finance and Investment industry since 1986. He was the CEO of MLC Investment Management from 1996 to 2004. Mr Coleman has held various directorships within MLC Limited, Lend Lease and the National Australia Banking group. Mr Coleman is a Non-Executive Director of Platinum Asset Management Limited. Mr Coleman is Chairman of Resolution Capital Limited and on 24 June 2015, Mr Coleman was appointed as Chairman and Non-Executive Director of Platinum Asia Investments Limited.

Richard Morath BA, FIAA, ASIA
Independent Non-Executive Director since March 2009 and Chairman of the Audit, Risk and Compliance Committee. (Age 67)

Mr Morath has over 42 years of experience in life insurance, funds management, banking and financial planning. Mr Morath is currently Non-Executive Director and Chairman of the Advice & Licences Boards of all Financial Planning companies in National Australia Bank/MLC and Chairman of National Australia Trustees. Mr Morath is also a Director of JANA Investment Advisors Limited, BNZ Life and Chairman of BNZ Investments Services Limited, and Mr Morath was appointed as a Director of ASX listed, Wealth Defender Equities Limited in 2015.

Jim Clegg BRUR SC (HONS), DIP AG EC
Independent Non-Executive Director since 5 June 2015 and member of the Audit, Risk and Compliance Committee. (Age 66)

Mr Clegg has over 28 years of experience in the financial services industry. Mr Clegg has been a Director of Godfrey Pembroke, Berkley Group and Centric Wealth. Mr Clegg is a Trustee of The Walter and Eliza Hall Trust.

DIRECTORS' REPORT
CONTINUED

Meetings of Directors
The number of meetings of the Company's Board of Directors (the "Board") held during the year ended 30 June 2016, and the number of meetings attended by each Director were:

	BOARD		AUDIT, RISK AND COMPLIANCE COMMITTEE	
	ATTENDED	HELD	ATTENDED	HELD
Bruce Coleman	5	5	4	4
Richard Morath	5	5	4	4
Jim Clegg	5	5	4	4
Kerr Neilson (until 21 August 2015)	1	1	–	–
Andrew Clifford (until 21 August 2015)	1	1	–	–

Indemnity and Insurance of Officers
During the year, the Company incurred a premium in respect of a contract for indemnity insurance for the Directors of the Company named in this report.

Indemnity and Insurance of Auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company.

Non-Audit Services
Details of the amounts paid or payable to the auditor for other (taxation and analytical) services provided during the financial year by the auditor are outlined in Note 20 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 20 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110: *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board.

Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations "Rounding in Financial/ Directors' Reports" Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with this Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 23.

Auditor

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

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Bruce Coleman
Chairman

Richard Morath
Director

19 August 2016
Sydney

DIRECTORS' REPORT
CONTINUED

Remuneration Report (Audited)

Executive Summary

There were only three officers remunerated by the Company during the year (the Non-Executive Directors).

- From 1 July 2015, the base pay for the Company Chairman increased to $60,000 from $55,000 and other Non-Executive Directors' pay increased to $55,000 from $50,000. This was the first increase in 12 years.
- The Company does not pay bonuses to any of its Directors.
- Despite the approval of shareholders to pay Non-Executive Directors remuneration up to $350,000 per annum, only $186,150 in aggregate was paid in 2016 (2015: $169,725).
- On 21 August 2015, Kerr Neilson and Andrew Clifford resigned as Managing Director and Executive Director respectively. The Company did not pay Mr Neilson or Mr Clifford any remuneration during the year, and no termination payments were made.

Introduction

The Directors of Platinum Capital Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the year ended 30 June 2016.

The information provided in this Remuneration Report forms part of the Directors' Report and has been audited by the Company's auditor, PricewaterhouseCoopers, as required by section 308 of the *Corporations Act 2001*.

Key Management Personnel ("KMP")

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

NAME	POSITION
Bruce Coleman	Chairman and Non-Executive Director
Richard Morath	Non-Executive Director
Jim Clegg	Non-Executive Director
Kerr Neilson	Managing Director until 21 August 2015
Andrew Clifford	Executive Director until 21 August 2015

There are no employees within the Company, other than the Non-Executive Directors.

Shareholders' Approval of the 2015 Remuneration Report
A 25% or higher "no" vote on the remuneration report at an AGM triggers a reporting obligation on a listed company to explain in its next Annual Report how concerns are being addressed.

At the last AGM, the Company Remuneration Report passed unanimously on a show of hands. Despite this outcome, we have set out to fully explain the basis and structure of the remuneration paid to KMP.

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

The aggregate amount of remuneration that can be paid to the Non-Executive Directors, which was approved by shareholders at the 2005 Annual General Meeting, was $350,000 per annum (including superannuation). Despite the ability to pay remuneration up to this level, only $186,150 in aggregate was paid in 2016 (2015: $169,725).

Principles, Policy and Components of Non-Executive Directors' Remuneration
Remuneration paid to the Non-Executive Directors is designed to ensure that the Company can attract and retain suitably qualified and experienced directors.

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

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

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

Remuneration for the Non-Executive Directors is reviewed annually by the Board and set at market rates commensurate with the responsibilities borne by the Non-Executive Directors. Independent professional advice may be sought. No other retirement benefits (other than mandatory superannuation) are provided to the Directors.

From 1 July 2015, the base pay of the Company Chairman has increased to $60,000 (from $55,000) and other Non-Executive Directors' base pay to $55,000 (from $50,000). This represented the first increase in base pay in 12 years (since 2004), and reflected:

– The time needed for the task of the Non-Executive Directors to be performed;
– The risks inherent in the Directorship;
– Industry comparison to other Listed Investment Companies;

DIRECTORS' REPORT
CONTINUED

- The qualifications and experience of the Non-Executive Directors;
- The increase in size and complexity of the Company's operations; and
- The number and extent of Board and related sub-committee meetings (which appears on page 16 of the Directors' Report).

Remuneration for Non-Executive Directors

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

NAME	CASH SALARY $	SUPER-ANNUATION $	SHORT-TERM INCENTIVES $	LONG-TERM INCENTIVES $	TOTAL $
Bruce Coleman					
FY 2016 (Chairman)	60,000	5,700	–	–	65,700
FY 2015	50,000	4,750	–	–	54,750
Richard Morath					
FY 2016	55,000	5,225	–	–	60,225
FY 2015	50,000	4,750	–	–	54,750
Jim Clegg					
FY 2016	55,000	5,225	–	–	60,225
FY 2015(1)	3,591	341	–	–	3,932
Bruce Phillips					
FY 2016	–	–	–	–	–
FY 2015(2) (Chairman)	51,409	4,884	–	–	56,293
Total Non-Executive remuneration					
FY 2016	170,000	16,150	–	–	186,150
FY 2015	155,000	14,725	–	–	169,725

(1) Jim Clegg's remuneration in FY 2015 was for the period since his appointment on 5 June 2015 to 30 June 2015.

(2) The remuneration paid to Bruce Phillips was for the period 1 July 2014 to the date of his resignation as Chairman and Non-Executive Director on 5 June 2015. His annualised salary was $55,000.

Executive Directors' Remuneration

Kerr Neilson and Andrew Clifford were Executive Directors on the Board until their resignation on 21 August 2015. The Executive Directors were employees of the Investment Manager, Platinum Investment Management Limited and waived their right to any remuneration or fee. The Company did not pay Kerr Neilson and Andrew Clifford any remuneration during the year and no termination payments were made.

Employment Arrangements of KMP

The key aspects of the KMP contracts are as follows:

- Remuneration and other terms of employment for Directors are formalised in letters of appointment that all Directors signed during the year.
- All contracts with Directors include the components of remuneration that are to be paid to KMP and provide for annual review, but do not prescribe how remuneration levels are to be modified from year to year.
- The tenure of the Directors is subject to approval by shareholders at every third AGM or other general meeting convened for the purposes of election of Directors.
- In the event of termination, all KMP are only entitled to receive their statutory entitlements.
- Directors may resign by written notice to the Chairman and where circumstances permit, it is desirable that reasonable notice of an intention to resign is given to assist the Board in succession planning.

Link between the Remuneration of the Directors and Company Performance

	2016	2015	2014	2013	2012
Total net investment income/(loss) ($'000)	**(20,310)**	71,098	53,662	79,555	(10,970)
Expenses ($'000)	**(6,481)[1]**	(7,579)[1]	(6,857)[1]	(4,707)	(4,294)
Profit/(loss) after tax ($'000)	**(18,764)**	44,826	32,885	58,802	(17,546)
Earnings per share (cents per share)	**(8.00)**	19.29	16.22	35.53	(10.59)
Dividends (cents per share)	**7.0**	11.0	8.0	7.0	–
Net asset value (pre-tax) (30 June) ($ per share)	**1.44**	1.70	1.64	1.51	1.07
Closing share price (30 June) ($)	**1.62**	1.77	1.765	1.45	0.97
Total fixed remuneration (salary and superannuation) paid ($)	**186,150**	169,725	169,338	168,950	168,950

(1) Expenses were lower in 2016 because of the reduced management fee rate of 1.1% that applied from 1 January 2016. The increase in expenses during 2014 and 2015 was primarily due to the increased portfolio size and the impact that this had on those costs that move in line with the increased portfolio size.

The remuneration of the Directors is not linked to the performance of the Company.

DIRECTORS' REPORT
CONTINUED

Interests of Directors in shares

The relevant interest in ordinary shares of the Company that each Director held at balance date was:

	OPENING BALANCE	ACQUISITIONS	DISPOSALS	CLOSING BALANCE
Bruce Coleman	240,000	–	–	240,000
Richard Morath	32,400	–	–	32,400
Jim Clegg	20,000	–	–	20,000

AUDITOR'S INDEPENDENCE DECLARATION

pwc

As lead auditor for the audit of Platinum Capital Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. no contraventions of any applicable code of professional conduct in relation to the audit.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney, 19 August 2016

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 $'000	2015 $'000
Investment income			
Dividends		**11,476**	8,426
Interest		**113**	1
Net gains/(losses) on equities/derivatives		**(31,203)**	48,550
Net gains/(losses) on foreign currency forward contracts		**(1,923)**	9,831
Net foreign exchange gains on overseas bank accounts		**1,227**	4,290
Total net investment income/(loss)		**(20,310)**	71,098
Expenses			
Management fees	19	**(4,845)**	(5,831)
Custody		**(245)**	(353)
Share registry		**(239)**	(258)
Continuous reporting disclosure		**(190)**	(210)
Directors' fees		**(186)**	(170)
Auditor's remuneration and other services	20	**(162)**	(156)
Transaction costs		**(362)**	(363)
Other expenses		**(252)**	(238)
Total expenses		**(6,481)**	(7,579)
Profit/(loss) before income tax expense		**(26,791)**	63,519
Income tax benefit/(expense)	3(a)	**8,027**	(18,693)
Profit/(loss) after income tax benefit/(expense) for the year attributable to the owners of Platinum Capital Limited	10	**(18,764)**	44,826
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income/(loss) for the year attributable to the owners of Platinum Capital Limited		**(18,764)**	44,826
Basic earnings per share (cents per share)	9	**(8.00)**	19.29
Diluted earnings per share (cents per share)	9	**(8.00)**	19.29

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	NOTE	**2016 $'000**	2015 $'000
Assets			
Cash and cash equivalents	13	**45,070**	37,076
Trade and other receivables	6	**1,096**	622
Financial assets at fair value through profit or loss	4	**301,012**	361,856
Income tax receivable	3(b)	**3,873**	265
Total assets		**351,051**	399,819
Liabilities			
Payables	7	**3,325**	881
Financial liabilities at fair value through profit or loss	5	**3,161**	1,408
Deferred tax liability	3(c)	**2,350**	18,955
Total liabilities		**8,836**	21,244
Net assets		**342,215**	378,575
Equity			
Issued capital	8	**304,595**	301,154
Retained earnings	10	**(18,764)**	77,421
Dividend profit reserve	12	**56,384**	–
Total equity		**342,215**	378,575

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	ISSUED CAPITAL $'000	RETAINED EARNINGS $'000	DIVIDEND PROFIT RESERVE $'000	TOTAL EQUITY $'000
Balance at 1 July 2014	**297,242**	**55,758**	**–**	**353,000**
Profit after income tax expense for the year	–	44,826	–	44,826
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	44,826	–	44,826
Transactions with owners in their capacity as owners:				
Issue of shares in relation to the dividend reinvestment plan and unclaimed dividends	3,912	–	–	3,912
Dividends paid (Note 11)	–	(23,163)	–	(23,163)
Balance at 30 June 2015	**301,154**	**77,421**	**–**	**378,575**

	ISSUED CAPITAL $'000	RETAINED EARNINGS $'000	DIVIDEND PROFIT RESERVE $'000	TOTAL EQUITY $'000
Balance at 1 July 2015	**301,154**	**77,421**	**–**	**378,575**
Transfer to dividend profit reserve (Note 12)	–	(77,421)	77,421	–
Profit/(loss) after income tax expense for the year	–	(18,764)	–	(18,764)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	(18,764)	–	(18,764)
Transactions with owners in their capacity as owners:				
Issue of shares in relation to the dividend reinvestment plan and unclaimed dividends	3,441	–	–	3,441
Dividends paid (Note 11)	–	–	(21,037)	(21,037)
Balance at 30 June 2016	**304,595**	**(18,764)**	**56,384**	**342,215**

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 2016

	NOTE	**2016 $'000**	2015 $'000
Cash flows from operating activities			
Payments for purchase of financial assets		**(182,628)**	(198,309)
Proceeds from sale of financial assets		**213,650**	248,128
Dividends received		**11,391**	8,348
Interest received/(paid)		**101**	(6)
Management fees paid		**(5,030)**	(5,801)
Other expenses paid		**(1,610)**	(1,646)
Income tax paid		**(11,462)**	(19,989)
Net cash from operating activities	13(b)	**24,412**	30,725
Cash flows from financing activities			
Dividends paid – net of dividend reinvestment plan		**(17,703)**	(19,400)
Proceeds from issue of shares in relation to unclaimed dividends	8	**86**	126
Net cash from/(used in) financing activities		**(17,617)**	(19,274)
Net increase in cash and cash equivalents		**6,795**	11,451
Cash and cash equivalents at the beginning of the financial year		**37,076**	21,024
Effects of exchange rate changes on cash and cash equivalents		**1,199**	4,601
Cash and cash equivalents at the end of the financial year	13(a)	**45,070**	37,076

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

Note 1. Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on the basis of fair-value measurement of assets and liabilities.

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

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, that management believes to be reasonable under the circumstances.

Fair value measurement hierarchy (refer to Note 17)

The Company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 (if any) is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Note 1. Significant Accounting Policies Continued

Basis of preparation Continued

Critical accounting judgements, estimates and assumptions Continued

Recovery of deferred tax assets (refer to Note 3)

Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Financial assets/liabilities at fair value through profit or loss

Under AASB 139: *Financial Instruments: Recognition and Measurement*, investments are classified in the Company's Statement of Financial Position as "financial assets at fair value through profit or loss". Derivatives and foreign currency forward contracts are classified as financial instruments "held for trading" and equity securities are designated at fair value through profit or loss upon initial recognition.

The Company has applied AASB 13: *Fair Value Measurement*. AASB 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". AASB 13 increases transparency about fair value measurements, including the valuations techniques and inputs used to measure fair value.

The standard prescribes that the most representative price within the bid-ask spread should be used for valuation purposes. With respect to the Company, the last-sale or "last" price is the most representative price within the bid-ask spread, because it represents the price that the security last changed hands from seller to buyer.

Generally, derivatives take the form of long and short equity swap contracts. Equity swaps are valued based on the price of the underlying investment, which may be a specific share or a share market index. Daily fluctuations in the value of derivatives were recognised as part of "net gains/(losses) on equities/derivatives" in the Statement of Profit or Loss and other Comprehensive Income.

Long equity swap contracts allow the Company to gain exposure to price movements of underlying investments without buying the underlying investment. Under the term of each long equity swap contract, the Company makes a profit if the underlying share price was higher on the date that the contract was closed relative to the price when the contract commenced.

With respect to short equity swap contracts, the Company makes a profit if the underlying share price was lower on the date that the contract was closed relative to the price when the contract commenced.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

Note 1. Significant Accounting Policies Continued

Financial assets/liabilities at fair value through profit or loss Continued

Participatory Notes are sometimes used as a convenient means of investing in local securities by a foreign investor. Participatory Notes are generally traded over-the-counter, as they are issued by a counterparty to provide the investor with exposure to an individual equity or a basket or index of equities, in markets where liquidity, custody or other issues make ownership of the local shares sub-optimal. The valuation of Participatory Notes depends on the level of trading. If the Participatory Notes are actively traded, then the market price is used. Counterparties provide a daily valuation that is based on the intrinsic value of the individual security.

AASB 13 also requires reporting entities to disclose its valuation techniques and inputs. This is described below.

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets uses quoted market prices at reporting date without any deduction for estimated future selling costs. Financial assets are valued using "last-sale" pricing. Gains and losses arising from changes in the fair value of the financial assets/liabilities are included in the Statement of Profit or Loss and other Comprehensive Income in the period they arise.

Foreign currency forward contracts are initially recognised at fair value on the date contracts are entered into and are subsequently remeasured at each reporting date. The fair value is the unrealised profit or loss on the foreign currency position (in Australian dollars).

Fair value in an inactive market or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques or any other valuation techniques that provides a reliable estimate of prices obtained in actual market transactions. Options are valued with reference to the quoted price of the underlying index or share. If there is no liquid market available, the options are valued based on the option prices provided by an arm's length broker. These valuations are based on option pricing models.

Recognition/derecognition

The Company recognises financial assets and liabilities on the date they become party to the purchase contractual agreement (trade date) and recognises changes in fair value of the financial assets and liabilities from this date. Financial assets and liabilities are no longer recognised on the date they become party to the sale contractual agreement (trade date).

Note 1. Significant Accounting Policies Continued

Offsetting a financial asset and a financial liability

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where there is a legally enforceable right to offset recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Transaction costs on financial assets

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

Operating segments

Operating segments are presented using a single operating segment. However AASB 8: *Operating Segments* requires certain entity-wide disclosures. Refer to Note 2 for further information.

Foreign currency transactions

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the country that the Company is regulated, capital is raised and dividends are paid. The Australian dollar is also the Company's presentation currency.

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Investment income

Interest income

Interest income is recognised in the Statement of Profit or Loss and other Comprehensive Income based on nominated interest rates available on the bank accounts held at various locations.

Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

Note 1. Significant Accounting Policies Continued

Directors' entitlements

Liabilities for Directors' entitlements to fees are accrued at nominal amounts calculated on the basis of current fee rates. Contributions to Directors' superannuation plans are charged as an expense as the contributions are paid or become payable.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. Withholding tax expense on foreign dividends has been included as part of income tax expense.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Receivables

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

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, cash held in margin accounts and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Margin accounts comprise cash held as collateral for derivative transactions.

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

Note 1. Significant Accounting Policies Continued

Due from/due to brokers for unsettled trades

Amounts due from/due to brokers represent receivables for proceeds from sale of financial assets (as disclosed in Note 6) and payables on purchase of financial assets/liabilities (as disclosed in Note 7) that have been traded, but not yet settled at reporting date. Proceeds from sale of financial assets are usually received between two and five days after trade date. Payables on purchase of financial assets/liabilities are usually paid between two and five days after trade date.

Trade and other payables

These amounts represent liabilities for services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Issued capital

Ordinary shares are classified as issued capital.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Dividend profit reserve

To the extent that any current year or prior period profits are not distributed as dividends, the Company may set aside some or all of the undistributed profits to a separate dividend profit reserve, to facilitate the payment of future franked dividends, rather than maintaining these profits within retained earnings.

Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to the owners of Platinum Capital Limited, by the weighted average number of ordinary shares outstanding during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

Note 1. Significant Accounting Policies Continued

Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred 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 as part of the expense.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations "Rounding in Financial/Directors' Reports" Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in these financial statements have been rounded off in accordance with this Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet mandatory, and have not been early adopted by the Company for the annual reporting period ended 30 June 2016. The Company's assessment of the impact of the new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below and the following page.

AASB 15: *Revenue from contracts with customers and amendments to AASB 15*

The main objective of this new standard is to provide a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The Company's main source of income is gains on equities and derivatives, foreign currency forward contracts and overseas bank accounts, as well as interest and dividend income. All of these income types are outside the scope of the standard. The standard is applicable for reporting periods beginning on or after 1 January 2018.

The standard was assessed as not having a material impact on the Company in the current or future reporting period.

Note 1. Significant Accounting Policies Continued

New Accounting Standards and Interpretations not yet mandatory or early adopted Continued

AASB 2016-1: *Amendments: Recognition of deferred tax assets for unrealised losses*
This amends the AASB 12: *Income Taxes* to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. This amendment is applicable for reporting periods beginning on or after 1 January 2017.

The standard was assessed as having no impact on the Company in the current or future reporting period, as the Company does not carry any debt instruments.

AASB 9: *Financial Instruments (and applicable amendments)*
AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It includes revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018.

The standard has been assessed as not having a significant impact on the recognition and measurement of the Company's financial instruments as the financial instruments are carried at fair value through profit or loss.

There are no other standards not yet effective, that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

Note 2. Operating Segments

Identification of reportable operating segments

The Company is organised into one main operating segment with the key function of the investment of funds internationally. AASB 8: *Operating Segments* requires disclosure of revenue by investment type and geographical location, which is outlined below:

	2016 $'000	2015 $'000
(a) Investment income by investment type		
Equity securities	**(22,998)**	61,236
Derivatives	**3,271**	(4,260)
Foreign currency forward contracts	**(1,923)**	9,831
Bank accounts	**1,340**	4,291
Total	**(20,310)**	71,098
(b) Investment income by geographical area		
Japan	**(6,276)**	6,915
Asia ex Japan	**(4,955)**	40,536
Australia	**1,158**	677
Europe – Euro	**(7,880)**	3,828
Europe – Other	**(5,700)**	7,699
North America	**7,133**	2,704
South America	**44**	(1,263)
Africa	**(1,911)**	171
Unallocated investment income – Net gains/(losses) on foreign currency forward contracts	**(1,923)**	9,831
Total	**(20,310)**	71,098

Note 3. Income Tax

(a) Income tax benefit/(expense)

	2016 $'000	2015 $'000
The income tax benefit/(expense) attributable to the operating profit/(loss) comprises:		
Current income tax provision	**(7,854)**	(13,519)
Movement in deferred tax liability	**16,605**	(4,537)
Withholding tax on foreign dividends	**(724)**	(633)
Under provision of prior period tax	**–**	(4)
Income tax benefit/(expense)	**8,027**	(18,693)
The aggregate amount of income tax attributable to the financial year differs from the prima facie (amount payable)/benefit received on the profit/(loss).		
Profit/(loss) before income tax benefit/(expense)	**(26,791)**	63,519
Prima facie income tax at tax rate of 30%	**8,037**	(19,056)
Increase/(reduce) tax payable:		
Foreign tax credits	**(10)**	367
Under provision of prior period tax	**–**	(4)
Income tax benefit/(expense)	**8,027**	(18,693)

(b) Income tax receivable

	2016 $'000	2015 $'000
The income tax receivable as disclosed in the Statement of Financial Position is comprised of:		
Current income tax provision	**(7,854)**	(13,519)
Income tax instalments paid during the year	**11,727**	13,784
Income tax receivable	**3,873**	265

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

	2016 $'000	2015 $'000
Note 3. Income Tax Continued		
(c) Deferred tax liability		
In line with our existing accounting policy, the Company has exercised judgement in determining the extent of recognition of deferred tax balances.		
The deferred tax liability figure in the Statement of Financial Position is comprised of:		
Dividends receivable	**(178)**	(152)
Unrealised gains on financial assets	**(4,145)**	(19,811)
Audit fees	**13**	9
Taxation services	**6**	10
Shareholder communication and reporting	**51**	55
Differences in cost base for tax compared to accounting	**1,755**	711
Capital raising and legal costs (deductible over 5 years)	**148**	223
Deferred tax liability	**(2,350)**	(18,955)

The net deferred tax liability is comprised of $1,973,000 (2015: $1,008,000) of deferred tax asset and $4,323,000 (2015: $19,963,000) of deferred tax liability.

The Company has accumulated net unrealised gains on investments of $13,815,000 (2015: $66,037,000). The tax impact on these unrealised gains of $4,145,000 (2015: $19,811,000) formed a major part of the overall net deferred tax liability.

The settlement of the deferred tax liability will depend on the timing of realisation of investments.

	2016 $'000	2015 $'000

Note 4. Financial Assets at Fair Value through Profit or Loss

	2016 $'000	2015 $'000
Equity securities	**299,159**	359,519
Corporate bonds	**278**	274
Derivatives	**166**	1,748
Foreign currency forward contracts	**1,409**	315
	301,012	361,856

Note 5. Financial Liabilities at Fair Value through Profit or Loss

	2016 $'000	2015 $'000
Derivatives	**634**	689
Foreign currency forward contracts	**2,527**	719
	3,161	1,408

Note 6. Trade and Other Receivables

	2016 $'000	2015 $'000
Proceeds from sale of financial assets	**413**	19
Capital Gains Tax receivable	**30**	31
Dividends receivable	**594**	508
Interest receivable	**20**	7
Goods and Services Tax receivable	**39**	57
	1,096	622

Proceeds from sale of financial assets are usually received between two and five days after trade date. Dividends are usually received within approximately 30 days of the ex-dividend date. Information relating to the ageing of receivables is shown in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

	2016 $'000	2015 $'000
Note 7. Payables		
Payables on purchase of financial assets	**2,642**	–
Trade creditors (unsecured)	**639**	816
Unclaimed dividends payable to shareholders	**42**	63
Group Tax payable	**2**	2
	3,325	881

Payables on purchase of financial assets are usually paid between two and five days after trade date. Trade creditors are payable between seven and 30 days after being incurred. These current payables are non-interest bearing. Information relating to the Company's exposure of payables to liquidity risk is shown in Note 16.

	2016 SHARES	2015 SHARES	**2016 $'000**	2015 $'000

Note 8. Equity – Issued Capital

	2016 SHARES	2015 SHARES	**2016 $'000**	2015 $'000
Ordinary shares – fully paid	**235,332,383**	233,325,992	**304,595**	301,154

Movements in ordinary share capital

DETAILS	DATE	SHARES	$'000
Balance	1 July 2014	231,071,938	297,242
Dividend reinvestment plan	8 September 2014	1,085,081	1,888
Reinvestment of unclaimed dividends	17 September 2014	33,240	59
Dividend reinvestment plan	13 March 2015	1,096,805	1,898
Reinvestment of unclaimed dividends	18 March 2015	38,928	67
Balance	30 June 2015	233,325,992	301,154
Dividend reinvestment plan	11 September 2015	1,222,509	2,225
Reinvestment of unclaimed dividends	17 September 2015	22,716	42
Dividend reinvestment plan	4 March 2016	733,819	1,130
Reinvestment of unclaimed dividends	15 March 2016	27,347	44
Balance	30 June 2016	235,332,383	304,595

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

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	2016 $'000	2015 $'000
Note 9. Earnings Per Share		
Profit/(loss) after income tax attributable to the owners of Platinum Capital Limited	(18,764)	44,826

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**234,572,543**	232,319,773

	CENTS	CENTS
Basic earnings per share	**(8.00)**	19.29
Diluted earnings per share	**(8.00)**	19.29

There have been no conversions to, calls of, or subscriptions for ordinary shares during the current or previous period other than those issued under the Dividend Reinvestment Plan and, reinvestment of unclaimed dividends, therefore diluted earnings per share equals basic earnings per share.

	2016 $'000	2015 $'000
Note 10. Equity – Retained Earnings		
Retained profits at the beginning of the financial year	**77,421**	55,758
Transfer to dividend profit reserve (see Note 12)*	**(77,421)**	–
Profit/(loss) after income tax benefit/(expense) for the year	**(18,764)**	44,826
Dividends paid (see Note 12)**	**–**	(23,163)
Retained profits/(losses) at the end of the financial year	**(18,764)**	77,421

* On 13 August 2015, the Directors decided to transfer the balance of the 30 June 2015 retained earnings of $77,421,000 to a newly created dividend profit reserve.

** Dividends are no longer paid out of retained earnings and are now paid out of the dividend profit reserve.

Note 11. Equity – Dividends

Dividends paid

Dividends paid during the financial year were as follows:

	2016 $'000	2015 $'000
Final dividend for the year ended 30 June 2015 (2015: 30 June 2014) of 6 cents (2015: 5 cents) per ordinary share	**14,000**	11,554
Interim dividend for the half-year ended 31 December 2015 (2015: 31 December 2014) of 3 cents (2015: 5 cents) per ordinary share	**7,037**	11,609
	21,037	23,163

Dividends not recognised at year-end

In addition to the above dividends paid, on 19 August 2016, the Directors declared the payment of the 2016 final fully-franked dividend of 4 cents per fully paid ordinary share. The aggregate amount of the dividend expected to be paid on 13 September 2016, but not recognised as a liability at year-end, is $9,413,000. The dividend will be paid out of the dividend profit reserve.

Franking credits

	2016 $'000	2015 $'000
Franking credits available at the balance date based on a tax rate of 30%	**18,052**	15,606
Franking debits that will arise from the tax receivable at balance date based on a tax rate of 30%	**(3,873)**	(265)
Franking credits available for subsequent financial years based on a tax rate of 30%	**14,179**	15,341
Franking debits that will arise from the payment of dividends declared subsequent to the balance date based on a tax rate of 30%	**(4,034)**	(6,000)
Net franking credits available based on a tax rate of 30%	**10,145**	9,341

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Note 12. Dividend Profit Reserve

To the extent that any current year or prior period profits are not distributed as dividends, the Company may set aside some or all of the undistributed profits to a separate dividend profit reserve, to facilitate the payment of future franked dividends, rather than maintaining these profits within retained earnings. On 13 August 2015, the Directors decided to transfer the 30 June 2015 retained earnings balance to the newly created dividend profit reserve and then declared the 2015 final dividend of 6 cents per share ($14,000,000) and 2016 interim dividend of 3 cents per share ($7,037,000) out of the reserve, as follows:

	2016 $'000	2015 $'000
Opening balance as at 1 July 2015 (2014)	**–**	–
Transfer from retained earnings	**77,421**	–
Dividends paid during the year (see Note 11)	**(21,037)**	–
Closing balance	**56,384**	–

In addition to the above, on 19 August 2016, the Directors have declared the 2016 final fully-franked dividend of 4 cents per share ($9,413,000) out of the dividend profit reserve.

	2016 $'000	2015 $'000
Note 13. Cash Flow Information		
(a) Components of cash and cash equivalents		
Cash at bank*	**46**	125
Cash on deposit**	**45,024**	36,951
	45,070	37,076

* Cash at bank includes $37,000 (2015: $57,000) held in respect of unclaimed dividends on behalf of shareholders.

** Cash on deposit includes $9,804,000 (2015: $12,946,000) on deposit to "cash cover" derivative contracts' deposits and margin calls.

These amounts are held by the relevant derivative exchanges and counterparties as security. If losses are realised, the cash balances are set off against those losses. If profits are realised on the close out of derivative contracts, the money is returned to the Company.

The Company maintains bank accounts at various locations throughout the world to enable the settlement of purchases and sales of investments and to conduct other normal banking transactions.

All accounts are at call and majority bear floating interest rates in the range of –0.60% to 1.90% (2015: –1.00% to 1.90%).

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	2016 $'000	2015 $'000
Note 13. Cash Flow Information Continued		
(b) Reconciliation of profit/(loss) after income tax to net cash from operating activities		
Profit/(loss) after income tax expense for the year	**(18,764)**	44,826
Adjustments for:		
Foreign exchange differences	**(1,199)**	(4,601)
Decrease/(Increase) in investment securities and foreign currency forward contracts	**62,597**	(6,952)
Change in operating assets and liabilities:		
(Increase)/Decrease in deferred tax asset	**(965)**	77
Decrease in prepayments	**–**	81
(Increase) in settlements receivable	**(394)**	(19)
Increase/(Decrease) in settlement payable	**2,642**	(645)
(Increase) in interest receivable	**(13)**	(7)
(Increase) in dividends receivable	**(86)**	(78)
Decrease/(Increase) in Capital Gains Tax receivable	**1**	(4)
(Decrease)/Increase in trade and other payables	**(177)**	47
(Decrease) in provision for income tax	**–**	(6,200)
(Decrease)/Increase in deferred tax liability	**(15,640)**	4,460
Decrease in Goods and Services Tax receivable	**18**	5
(Increase) in income tax receivable	**(3,608)**	(265)
Net cash from operating activities	**24,412**	30,725

Non-cash financing activities

During the year, 2,006,391 (2015: 2,254,054) shares were issued under the Dividend Reinvestment Plan (DRP) and reinvestment of unclaimed dividends. Dividends settled in shares rather than cash during the year totalled $3,441,374 (2015: $3,911,442).

Note 14. Statement of Net Asset Value

	2016 $'000	2015 $'000
Reconciling Net Asset Value (post-tax) in accordance with Australian Accounting Standards to that reported to the ASX*		
Post-tax Net Asset Value per Statement of Financial Position	**342,215**	378,575
Realisation costs* and accruals	**(768)**	(905)
Deferred income tax asset on realisation costs	**225**	270
Net Asset Value – (post-tax)	**341,672**	377,940

The post-tax Net Asset Value at 30 June 2016 was $1.4519 per share (30 June 2015: $1.6198).

* Financial assets and liabilities were valued at "last-sale" price for both ASX and financial accounts reporting. The difference between the ASX and financial accounts reporting is mainly caused by the ASX requirement that realisation costs need to be deducted for ASX reporting of NAV.

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Note 15. Investment Portfolio
All Investments below are ordinary shares, unless stated otherwise.

	QUANTITY	2016 FAIR VALUE $'000
Japan		
Alpine Electronics	100,200	**1,295**
Daiichi Sankyo	130,886	**4,210**
Ibiden	78,360	**1,171**
Inpex	685,100	**7,069**
JSR	152,362	**2,667**
Lixil Group	168,491	**3,692**
Mitsubishi Tanabe Pharmaceuticals	56,539	**1,355**
Nintendo	4,310	**818**
Rakuten	459,506	**6,588**
Sumitomo Metal Mining	105,410	**1,410**
Toyota Industries	88,233	**4,630**
Ushio	160,751	**2,498**
Total Japan		**37,403**
Asia ex Japan		
China		
Baidu – American Depository Receipt	19,196	**4,255**
China Mobile – H Shares	288,911	**4,430**
China Pacific Insurance	1,251,009	**5,648**
Chow Tai Fook	1,509,405	**1,452**
EcoGreen International	17,302,140	**4,429**
Jiangsu Yanghe Brewery – long equity swap	50,400	**(31)**
Jiangsu Yanghe Brewery – Participatory Notes	121,513	**1,768**
Kweichow Moutai – Participatory Notes	91,914	**5,382**
PICC Property & Casualty – H Shares	2,181,827	**4,574**
Qingdao Haier – Participatory Notes	1,389,576	**2,489**
Shandong Weigao	620,936	**474**
Sina	91,765	**6,388**

Note 15. Investment Portfolio Continued

	QUANTITY	2016 FAIR VALUE $'000
Asia ex Japan Continued		
China Continued		
Tencent	351,422	**10,705**
Trina Solar – American Depository Receipt	195,435	**2,030**
Weichai Power	115,809	**159**
Weichai Power – long equity swap	397,734	**9**
Weifu High Technology – long equity swap	88,756	**18**
Weifu High Technology – B Shares	219,628	**623**
		54,802
Hong Kong		
CK Hutchison	130,347	**1,906**
Shangri-La Asia	995,714	**1,335**
Tingyi	866,049	**1,095**
		4,336
India		
Adani Ports and Special Economic Zone	418,962	**1,722**
Gail India	365,645	**2,799**
ICICI Bank	847,979	**4,054**
IDFC	155,573	**147**
IDFC Bank	1,396,831	**1,255**
NTPC	1,416,341	**4,400**
NTPC – corporate bond	–	**278**
PTC India	901,128	**1,380**
Reliance Industries	169,951	**3,274**
		19,309
Korea		
KB Financial Group	130,340	**4,951**
Samsung Electronics	8,628	**13,785**
		18,736

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	QUANTITY	2016 FAIR VALUE $'000
Note 15. Investment Portfolio Continued		
Asia ex Japan Continued		
Malaysia		
Genting Bhd	1,171,089	**3,199**
Genting Bhd – Warrants	118,561	**61**
		3,260
Vietnam		
Vietnam Enterprise	537,600	**2,323**
Vietnam Dairy Products – long equity swap	717,328	**139**
		2,462
Total Other Asia		**102,905**
Australia		
Newcrest Mining	113,149	**2,602**
Vantage Goldfields	1,000,000	**–**
Total Australia		**2,602**
Europe – Euro		
France		
Casino Guichard Perrachon	75,562	**5,657**
Kering	21,890	**4,746**
Sanofi	80,979	**9,044**
		19,447
Germany		
Hornbach Baumarkt	69,109	**2,504**
Hornbach Holding	8,721	**793**
Qiagen	143,088	**4,158**
Qiagen – American Depository Receipt	92,443	**2,706**
		10,161

Note 15. Investment Portfolio Continued

	QUANTITY	2016 FAIR VALUE $'000
Europe – Euro Continued		
Italy		
Eni	401,716	**8,695**
Intesa Sanpaolo	2,472,989	**6,275**
Mediobanca	389,040	**2,990**
		17,960
Total Europe – Euro		**47,568**
Europe – Other		
Norway		
Schibsted – A Shares	47,441	**1,894**
Schibsted – B Shares	42,184	**1,614**
		3,508
Sweden		
Atlas Copco – short equity swap	(33,582)	**(13)**
Ericsson	685,816	**6,997**
		6,984
Switzerland		
Roche	6,400	**2,254**
		2,254
Russia		
QIWI – American Depository Receipt	73,626	**1,294**
Sberbank of Russia – American Depository Receipt	86,198	**1,008**
		2,302
United Kingdom		
AstraZeneca	98,041	**7,824**
Carnival	101,337	**6,011**
Gemfields	1,940,780	**1,248**
Lloyds Banking	3,995,497	**3,859**
		18,942
Total Europe – Other		**33,990**

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	QUANTITY	2016 FAIR VALUE $'000
Note 15. Investment Portfolio Continued		
North America		
Canada		
Great Basin Gold	192,636	–
Suncor Energy	71,955	**2,678**
		2,678
United States		
Allegheny Technologies	133,760	**2,289**
Alphabet	3,330	**3,144**
Alphabet – C Class	6,336	**5,885**
Cisco Systems	181,955	**7,006**
Coca Cola	56,493	**3,437**
Consumer Staples ETF – short equity swap	(19,500)	**(42)**
eBay	54,000	**1,697**
Gilead Sciences	33,100	**3,706**
Industrial Select Sector SPDR Fund – short equity swap	(68,600)	**(92)**
Intel	96,932	**4,267**
Johnson & Johnson	15,900	**2,588**
Level 3 Communications	78,248	**5,407**
McDonalds	21,700	**3,505**
MGIC Investment	31,183	**249**
Nielsen Holdings	63,526	**4,431**
Nordstrom – short equity swap	(7,824)	**(11)**
Oracle	71,500	**3,928**
Paypal Holdings	137,300	**6,728**
S&P 500 E-Mini Sept 16 – index future	(315)	**(284)**
Schlumberger	10,450	**1,109**
Skyworks Solutions	17,820	**1,513**
Smurfit Stone ESCROW	225,000	–
Stillwater Mining	164,925	**2,625**

	QUANTITY	2016 FAIR VALUE $'000
Note 15. Investment Portfolio Continued		
North America Continued		
United States Continued		
Tesla Motors – short equity swap	(2,099)	**(44)**
Vaneck Vectors Gold Miners	121,206	**4,508**
Wal Mart Stores – short equity swap	(50,632)	**(116)**
Wynn Resorts	18,197	**2,214**
		69,647
Total North America		**72,325**
South America		
Brazil		
PDG Realty – Warrants	480,590	**2**
		2
Peru		
Peru Holding De Turismo	1,667,523	**39**
		39
Total South America		**41**
Africa		
Zimbabwe		
Axia	1,391,123	**140**
Econet Wireless	3,033,910	**855**
Innscor Africa	1,545,692	**359**
Masimba Holdings	6,879,563	**70**
Simbisa Brands	1,391,123	**243**
		1,667

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	QUANTITY	2016 FAIR VALUE $'000
Note 15. Investment Portfolio Continued		
Africa Continued		
Nigeria		
Union Bank of Nigeria	19,198,940	**468**
		468
Total Africa		**2,135**
Total equities, corporate bonds and derivatives (Note 4 and Note 5)*		**298,969**

* From Note 4 (financial assets), the total of equity securities was $299,159,000, the total of corporate bonds was $278,000 and the total of derivatives was $166,000 less from Note 5 (financial liabilities), the total of derivatives of $634,000. This results in a total of $298,969,000.

Add:	
Proceeds from sale of financial assets (Note 6)	**413**
Payables on purchase of financial assets (Note 7)	**(2,642)**
Dividends receivable (Note 6)	**594**
Cash on deposit (Note 13)	**45,024**
Foreign currency forward contracts (Note 4 and Note 5)	**(1,118)**
Total Investment Portfolio (reconciles to Note 16: Foreign exchange risk on page 59)	**341,240**

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

Number of transactions – 1,720

Total brokerage paid – $1,093,760 ($362,090 on purchases and $731,670 on sales)

Note 16. Financial Risk Management

Financial risk management objectives

The Company's primary risks are related to the investment activities undertaken on its behalf by Platinum Investment Management Limited. The risks that the Company is exposed to include: market risk (including currency and price risk), credit risk and liquidity risk.

The Investment Manager, Platinum Investment Management Limited's investment style:

(i) adopts a bottom-up stock selection methodology, through which long-term capital growth is sought by investing in undervalued securities across the world;

(ii) seeks absolute returns and not returns relative to any index;

(iii) invests excess funds in cash when undervalued stocks cannot be found; and

(iv) actively manages currency.

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

The underlying value of derivatives held by the Company may not exceed 100% of the portfolio value. The underlying value of long stocks and derivative contracts may not exceed 150% of the portfolio value. Where options are employed, the underlying value will be the delta-adjusted exposure. Compliance with these limits is reviewed by the Board and the Audit, Risk and Compliance Committee on a regular basis.

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Note 16. Financial Risk Management Continued

The table below summarises the Company's investments at fair value and derivative exposure.

2016	PHYSICAL $'000	LONG DERIVATIVES CONTRACTS $'000	SHORT DERIVATIVES CONTRACTS $'000	NET EXPOSURE $'000
Japan	**37,403**	**–**	**–**	**37,403**
Asia ex Japan*	**102,770**	**7,806**	**–**	**110,576**
Australia	**2,602**	**–**	**–**	**2,602**
Europe – Euro	**47,569**	**–**	**–**	**47,569**
Europe – Other	**34,003**	**–**	**(1,158)**	**32,845**
North America	**72,913**	**–**	**(56,743)**	**16,170**
South America	**42**	**–**	**–**	**42**
Africa	**2,135**	**–**	**–**	**2,135**
	299,437	**7,806**	**(57,901)**	**249,342**

2015	PHYSICAL $'000	LONG DERIVATIVES CONTRACTS $'000	SHORT DERIVATIVES CONTRACTS $'000	NET EXPOSURE $'000
Japan	41,458	–	–	41,458
Asia ex Japan	147,969	11,056	–	159,025
Australia	1,522	–	–	1,522
Europe – Euro	39,426	–	–	39,426
Europe – Other	45,220	–	(359)	44,861
North America	79,028	–	(39,255)	39,773
South America	442	–	–	442
Africa	4,728	–	–	4,728
	359,793	11,056	(39,614)	331,235

Note 16. Financial Risk Management Continued

The "Physical" column represents the location of the Company's investments. The Investments shown on the previous page in the "Physical" column (totalling $299,437,000 for 2016) reconcile to the fair value of equity securities and corporate bonds disclosed in Note 4, being $299,159,000 for equity securities and $278,000 for corporate bonds.

* The three largest contributors to the "Asia ex Japan" category were as follows:

	PHYSICAL EXPOSURE $'000	NET EXPOSURE $'000
Chinese investments (including Chinese investments listed on the Hong Kong stock exchange)	54,806	56,526
India	19,309	19,309
Korea	18,736	18,736

The "Long/Short Derivative Contracts" columns include the notional value of long/short equity swaps and futures. The "Net Exposure" column represents an approximation of the Investment Portfolio's exposure to movements in markets. This is calculated by making an adjustment to the "Physical" position, by adding any long (bought) derivative positions in shares or share index futures and subtracting the principal notional amount of any short (sold) positions. For example, if 5% of the Portfolio was invested in Japan, but there was a 2% short position in Nikkei futures, then the net exposure column would show 3%. Conceivably, the figure could show a negative exposure, which would indicate that the Portfolio was net short the Japanese market.

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Note 16. Financial Risk Management Continued

Market risk

Foreign exchange risk

Foreign exchange risk is the risk the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from buying, selling and holding investments denominated in foreign currency. Platinum Investment Management Limited selects stocks based on value regardless of geographic location. The Company undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Currency hedging is an integral part of the management of currency risk. Platinum Investment Management Limited may position the Company's Portfolio in what it believes will be a stronger currency(ies). The Company has increased its Australian Dollar and Euro exposure compared to a year ago (with the Australian Dollar exposure increasing from 0.5% at 30 June 2015 to 17% at 30 June 2016) and reduced its US Dollar exposure (reducing from 62% at 30 June 2015 to 43% at 30 June 2016). The Company is fully hedged out of the Chinese Yuan.

The Company remains heavily hedged back into US Dollars (43%, and in addition nearly 12% in Hong Kong Dollars), with 27% in European currencies including Norwegian Krone and Swiss Francs.

Platinum Investment Management Limited may use foreign currency forward contracts, and futures and option contracts on foreign currency forward contracts to position the Portfolio in the desired currencies. A currency exposure may be hedged into a different currency from that which the physical exposure is maintained (for example, US Dollar hedges may be used to hedge the currency risk of holding investments in the Japanese Yen).

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

The table on the following page summarises the Company's investment exposure at fair value to foreign exchange risk. The total "Physical" and "Net Exposure" reconciles to the total investment portfolio in Note 15.

Note 16. Financial Risk Management Continued

Market risk Continued

Foreign exchange risk Continued

2016	PHYSICAL $'000	BOUGHT $'000	SOLD $'000	NET EXPOSURE $'000
Japan	**37,921**	**–**	**(36,987)**	**934**
Asia ex Japan*	**92,303**	**–**	**(61,504)**	**30,799**
Australia	**14,711**	**42,060**	**–**	**56,771**
Europe – Euro	**44,863**	**24,737**	**(16,571)**	**53,029**
Europe – Other	**25,683**	**14,657**	**–**	**40,340**
North America	**124,919**	**96,436**	**(62,828)**	**158,527**
South America	**372**	**–**	**–**	**372**
Africa	**468**	**–**	**–**	**468**
	341,240	**177,889**	**(177,889)**	**341,240**

2015	PHYSICAL $'000	BOUGHT $'000	SOLD $'000	NET EXPOSURE $'000
Japan	41,614	–	(33,515)	8,099
Asia ex Japan	109,221	1,245	(21,769)	88,697
Australia	4,561	–	(2,596)	1,965
Europe – Euro	37,233	–	(22,485)	14,748
Europe – Other	29,908	14,991	(16,611)	28,288
North America	173,421	89,347	(8,607)	254,161
South America	743	–	–	743
Africa	1,225	–	–	1,225
	397,926	105,583	(105,583)	397,926

* The largest contributors to the "Asia ex Japan" category at 30 June 2016 were as follows:

	NET EXPOSURE $'000	CURRENCY EXPOSURE %
Hong Kong Dollar	40,690	11.9%
Indian Rupee	19,831	5.8%
Korean Won	6,795	2.0%
Chinese Yuan	(39,924)	(11.7%)
Other Asian currencies	3,407	1.0%
	30,799	9.0%

NOTES TO THE FINANCIAL STATEMENTS
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Note 16. Financial Risk Management Continued

Market risk Continued

Foreign exchange risk Continued

Foreign currency forward contracts and options on foreign currency forward contracts are adjusted against the "Physical" column to arrive at a "Net Exposure" for each currency grouping. The Company generally utilises short dated (90 day maturity) currency agreements with high-credit rated counterparties. The existing foreign currency forward contract positions' maturity dates range from 55 days to 174 days.

Foreign exchange risk sensitivity analysis

The table on the following page summarises the sensitivities of the Company's profit to foreign exchange risk. The analysis is based on the assumption that the Australian Dollar strengthened by 10% against the United Stated Dollar and Euro (shown in the +10% column) and weakened by 10% against the United States Dollar and Euro (shown in the –10% column). These two currencies are the material foreign currencies to which the Company was exposed at 30 June 2016.

A sensitivity of 10% has been selected as this is considered reasonably possible given current exchange rates and the volatility observed both on a historic basis and after factoring in possible future movements. The sensitivity has been undertaken on a combined basis for both monetary assets and liabilities and financial assets and liabilities measured at fair value through profit or loss, as the Company believes this accurately portrays the Company's exposure to foreign exchange risk.

Note 16. Financial Risk Management Continued

Market risk Continued

Foreign exchange risk sensitivity analysis Continued

2016	AUD STRENGTHENED % CHANGE	AUD STRENGTHENED EFFECT ON PROFIT BEFORE TAX ($'000)	AUD WEAKENED % CHANGE	AUD WEAKENED EFFECT ON PROFIT BEFORE TAX ($'000)
United States Dollar	**10%**	**(14,181)**	**(10%)**	**17,332**
Euro	**10%**	**(4,821)**	**(10%)**	**5,892**
		(19,002)		**23,224**

2015	AUD STRENGTHENED % CHANGE	AUD STRENGTHENED EFFECT ON PROFIT BEFORE TAX ($'000)	AUD WEAKENED % CHANGE	AUD WEAKENED EFFECT ON PROFIT BEFORE TAX ($'000)
United States Dollar	10%	(22,552)	(10%)	27,564
Euro	10%	(1,174)	(10%)	1,435
		(23,726)		28,999

The sensitivity analysis shows that the Company is materially affected by exchange rate movements (other things being equal), given the global nature of the investments held.

The above two currencies have been used as proxies for the Company's physical exposure in those currencies. If the Australian Dollar strengthened or weakened by 10% against all other currencies that the Company is exposed to, then the Company's profit would decrease by A$6,583,684 (2015: A$12,244,850) or increase by A$8,046,725 (2015: A$14,965,927). A sensitivity of 10% has been selected as this is considered reasonably possible.

Interest rate risk

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

The majority of the Company's financial assets and liabilities are non-interest bearing as the Company has a policy of not borrowing, other than for settlement of trades. Cash holdings are directly affected by interest rate movements, but at balance date, interest rates on these cash accounts are very low (and range from –0.60% to 1.90%).

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Note 16. Financial Risk Management Continued

Market risk Continued

Interest rate risk Continued

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

The impact of interest rate movements on our investments is not capable of precise estimation. At 30 June 2016 and 2015, if interest rates had changed by +/– 100 basis points with all other variables held constant, the direct impact on interest income would not be significant for the Company.

Price risk

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

As an additional risk management tool, the Company may enter into short equity swaps and futures to protect against market movements. At 30 June 2016, the Company maintained short positions against market indices or company-specific stocks. The use of index derivatives allows the Company to invest in specific companies, whilst providing some degree of protection against more general adverse market price movements. At 30 June 2016, the Company has increased its short positions compared to a year ago with a blend of both indices and stock specific positions.

Note 16. Financial Risk Management Continued

Market risk Continued

Price risk sensitivity analysis

Price risk exposure arises from the Company's investment portfolio, which comprises investments in securities and derivatives. At 30 June 2016, the two markets that the Company had the biggest investment exposure to are China (including Chinese investments listed on the Hong Kong Stock Exchange) and the United States of America. The effect on profit due to a possible change in market factors, as represented by a –/+10% movement in these two markets with all other variables held constant, is illustrated in the table below:

2016	**INCREASE % CHANGE**	**EFFECT ON PROFIT BEFORE TAX ($'000)**	**DECREASE % CHANGE**	**EFFECT ON PROFIT BEFORE TAX ($'000)**
S&P Index	**10%**	**6,898**	**(10%)**	**(6,898)**
Shanghai/Hong Kong*	**10%**	**5,652**	**(10%)**	**(5,652)**
		12,550		**(12,550)**

2015	INCREASE % CHANGE	EFFECT ON PROFIT BEFORE TAX ($'000)	DECREASE % CHANGE	EFFECT ON PROFIT BEFORE TAX ($'000)
S&P Index	10%	8,727	(10%)	(8,727)
Shanghai/Hong Kong*	10%	9,624	(10%)	(9,624)
		18,351		(18,351)

* Shanghai/Hong Kong refers to Chinese stocks listed outside of mainland China.

The above two indices have been used as proxies for the Company's physical exposure in those markets. If all other share market indices that the Company invests moved by +/–10%, then the Company's profit would increase/(decrease) by A$16,686,047 (2015: A$17,925,408). A sensitivity of 10% has been selected as this is considered reasonably possible.

The above analysis is based on the assumption the Company's investments move in correlation with the indices. The indices provided above are a reference point only. Actual movements in the value of the investments held in the Company's portfolio will vary significantly to movements in the index.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

Note 16. Financial Risk Management Continued

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 or cash/deposit holdings).

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

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

RATINGS	**2016 $'000**	2015 $'000
A+	**–**	29,507
A	**35,220**	12,506
A–	**11,264**	9,747
BBB+	**7,916**	8,161
BBB	**430**	–
Total	**54,830**	59,921

Platinum Investment Management Limited regularly monitors the Company's credit risk exposure to counterparties and seeks to manage the risk by spreading exposure over a number of counterparties by signing standard ISDA (International Swaps and Derivatives Association) master agreements and net settlement contracts, employing two-way symmetrical margining of unrealised profits and losses and by controlling the duration of contracts to be short-term. Transactions in listed securities and investments are entered into with approved brokers. Payment is only made once a broker has received securities and delivery of securities sold only occurs once the broker receives payment.

	2016 $'000	2015 $'000
The Company's ageing analysis of receivables at 30 June 2016 is as follows:		
0 – 30 days	**707**	183
31 – 60 days	**353**	366
61 – 90 days	**–**	22
90+ days	**3,909**	316
Total	**4,969**	887

* The total amount of $4,969,000 (2015: $887,000) reconciles to the balances shown in Note 6 of $1,096,000 (2015: $622,000) and Note 3(b) of $3,873,000 (2015: $265,000).

Note 16. Financial Risk Management Continued

Liquidity risk

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

(i) will not have sufficient funds to settle a transaction on the due date; and

(ii) will be forced to sell financial assets at a value which is less than they are worth.

Remaining contractual maturities

The following table details the Company's remaining contractual maturity for its financial and non-financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial and non-financial liabilities based on the earliest date on which the financial and non-financial liabilities are required to be paid.

2016	WITHIN 3 MONTHS $'000	BETWEEN 3 AND 6 MONTHS $'000	TOTAL $'000
Non-financial			
Trade creditors and dividend payable	**3,325**	**–**	**3,325**
Total non-financial	**3,325**	**–**	**3,325**
Financial			
Derivative contractual outflows	**634**	**–**	**634**
Foreign currency forward contractual outflows	**2,269**	**258**	**2,527**
Total financial	**2,903**	**258**	**3,161**

2015	WITHIN 3 MONTHS $'000	BETWEEN 3 AND 6 MONTHS $'000	TOTAL $'000
Non-financial			
Trade creditors and dividend payable	881	–	881
Total non-financial	881	–	881
Financial			
Derivative contractual outflows	689	–	689
Foreign currency forward contractual outflows	719	–	719
Total financial	1,408	–	1,408

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

Note 16. Financial Risk Management Continued

Liquidity risk Continued

Remaining contractual maturities Continued

At 30 June 2016, there are no other contractual amounts payable after six months.

The Company has sufficient funds to meet these liabilities as the value of total net assets realisable in one year or less is $347,860,000 (2015: $398,380,000). Assets that are realisable in one year or less include equities, derivatives, cash and cash equivalents.

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

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

(i) ensuring that there is no significant exposure to illiquid or thinly traded financial instruments; and

(ii) applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

Platinum Investment Management Limited prepares daily cash forecasts for the Company and maintains sufficient cash to meet normal operating requirements. The Company has a policy of not borrowing money, other than on a short term basis for settlement, trading and like purposes.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Capital risk management

The Company considers its capital to comprise ordinary share capital, retained earnings and dividend profit reserve.

The Company's objective is to seek long-term capital growth by investing in undervalued securities across the world, so to continue to provide returns to shareholders. Under the capital management programme approved by shareholders, the Company may adjust its capital structure via rights issues and share buy-backs. The Company may announce a new share buy-back programme or commence a rights issue at a future point in time, if the premium or discount widens beyond the range of –10% (discount) or +15% (premium) respectively, and market conditions are considered suitable by the Investment Manager.

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

Note 17. Fair Value Measurement

Fair value hierarchy

AASB 13: *Fair Value Measurement* requires the Company to classify its assets and liabilities held at fair value using the following fair value hierarchy model (consistent with the hierarchy model applied to financial assets and liabilities at 30 June 2015):

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Company measures and recognises the following financial assets and liabilities at fair value, pursuant to AASB 13, on a recurring basis:

(i) Equity securities, long equity swaps and long futures;

(ii) Corporate bonds;

(iii) Short equity swaps and short futures; and

(iv) Foreign currency forward contracts.

The following table details the Company's assets and liabilities, measured or disclosed at fair value, using the fair value hierarchy model. The Company has no assets or liabilities that are classified as Level 3.

2016	LEVEL 1 $'000	LEVEL 2 $'000	TOTAL $'000
Assets			
Equity securities	**287,197**	**11,962**	**299,159**
Corporate bonds	**–**	**278**	**278**
Derivatives	**–**	**166**	**166**
Foreign currency forward contracts	**–**	**1,409**	**1,409**
Total assets	**287,197**	**13,815**	**301,012**
Liabilities			
Derivatives	**284**	**350**	**634**
Foreign currency forward contracts	**–**	**2,527**	**2,527**
Total liabilities	**284**	**2,877**	**3,161**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

Note 17. Fair Value Measurement Continued

Fair value hierarchy Continued

2015	LEVEL 1 $'000	LEVEL 2 $'000	TOTAL $'000
Assets			
Equity securities	336,386	23,133	359,519
Corporate bonds	–	274	274
Derivatives	391	1,357	1,748
Foreign currency forward contracts	–	315	315
Total assets	336,777	25,079	361,856
Liabilities			
Derivatives	–	689	689
Foreign currency forward contracts	–	719	719
Total liabilities	–	1,408	1,408

The totals above can be reconciled to Note 4 or Note 5 and the Statement of Financial Position.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for any assets or liabilities measured at fair value during the year.

Rationale for classification of assets and liabilities as Level 1
At 30 June 2016, 96% of the equity securities and derivatives held by the Company are valued using unadjusted quoted prices in active markets and are classified as Level 1 in the fair-value hierarchy model.

Rationale for classification of assets and liabilities as Level 2
There are certain financial instruments that have been classified as level 2, because a degree of adjustment has been made to the quoted price i.e, whilst all significant inputs required for fair value measurement are observable and quoted in an active market, there is a degree of estimation involved in deriving the fair value. Examples include:

(i) foreign currency forward contracts are classified as Level 2 even though forward points are quoted in an active and liquid market. The forward themselves are based on interest rate differentials;

(ii) Participatory Notes are classified as Level 2 because they are generally traded Over-The-Counter (OTC) and are often priced in a different currency to the underlying security;

Note 17. Fair Value Measurement Continued

Rationale for classification of assets and liabilities as Level 2 Continued

(iii) Over-The-Counter (OTC) equity swap contracts are classified as Level 2 because the swap contract itself is not listed and therefore there is no directly observable market price; or the price is sourced from the relevant counterparty, even though the price (and in the case of options, the relevant delta) can be verified directly from Bloomberg or verified using option pricing models; and

(iv) certain index derivatives are classified as Level 2 because the Company may agree with the counterparty to include or exclude one or more securities that make up the "basket" of securities that comprise the index derivative. Hence, the quoted price of the index derivative would be very similar, but not identical to the index derivative that the Company held.

Note 18. Offsetting of Financial Assets and Financial Liabilities

Offsetting and master netting agreements

The Company enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other, if

I. there is a legally enforceable right to set-off the financial asset and financial liability; and

II. the Company intends to settle the financial asset and financial liability on a net basis, or realise the financial asset and settle the financial liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

Note 18. Offsetting of Financial Assets and Financial Liabilities Continued

Offsetting and master netting agreements Continued

The gross and net positions of financial assets and liabilities that have been offset in the Statement of Financial Position are disclosed in the first three columns of the following table:

	AMOUNTS OFFSET IN THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNTS NOT SET-OFF IN THE STATEMENT OF FINANCIAL POSITION		
2016	GROSS AMOUNTS $'000	GROSS AMOUNTS SET-OFF IN THE STATEMENT OF FINANCIAL POSITION $'000	NET AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION $'000	FINANCIAL INSTRUMENTS(1) $'000	CASH COLLATERAL $'000	NET AMOUNT $'000
Financial assets						
Derivatives	**166**	**–**	**166**	**(157)**	**–**	**9**
Foreign currency forward contracts	**1,871**	**(462)**	**1,409**	**(1,368)**	**–**	**41**
2015						
Derivatives	1,748	–	1,748	(689)	–	1,059
Foreign currency forward contracts	336	(21)	315	(315)	–	–
Financial liabilities						
2016						
Derivatives	**634**	**–**	**634**	**(157)**	**(94)**	**383**
Foreign currency forward contracts	**2,989**	**(462)**	**2,527**	**(1,368)**	**(390)**	**769**
2015						
Derivatives	689	–	689	(689)	–	–
Foreign currency forward contracts	740	(21)	719	(315)	(404)	–

(1) Shows the impact of arrangements between the Company and the relevant counterparty on financial instruments that provide a right to set-off that becomes enforceable and affects settlement of individual financial assets and liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business. These arrangements are not set-off in the Statement of Financial Position, as they are not currently enforceable.

Note 19. Investment Manager

The fee structure effective on and from 1 January 2016 comprises a lower base management fee of 1.1% per annum of the Company's portfolio value and a higher performance fee of 15% per annum of the amount by which the portfolio's annual return (at 30 June) exceeds the Morgan Stanley Capital International All Country World Net Index [MSCI] return. Performance fee is calculated before income taxes but after the payment of management fees.

The 6 months pre-tax performance of the portfolio up to 30 June 2016, was negative 5.87% and the corresponding MSCI return was negative 1.09%. This represents an underperformance of 4.78% against the MSCI and once the prior period aggregate underperformance of 10.4255% is also included, a performance fee has not been accrued. The total aggregate underperformance of 15.21% will need to be made up before a performance fee will be paid.

Total fees paid and payable for the year ended 30 June 2016 are shown below:

	2016 $'000	2015 $'000
Management fees	**4,845**	5,831

The management fees paid/payable has decreased in line with the reduction in the management fee rate from 1 January 2016.

In the event of termination, Platinum Investment Management Limited will be paid a 1.1% per annum lump sum termination fee payable by the Company equal to the management fee rate of 1.1% per annum in respect of the period from the first business day of the month in which termination is effective to the date which is the first anniversary of that date. Additionally, a performance fee is payable for the period from the last calculation of the performance fee (as described above) to the date of termination.

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

(a) The terms of the Agreement require Platinum Investment Management Limited to:

  (i) invest and manage the Portfolio in accordance with the Agreement;

  (ii) confer with the Board of the Company at regular intervals in respect of the investment and management of the Portfolio;

  (iii) exercise all due diligence and vigilance in carrying out its functions, powers and duties under the Agreement; and

  (iv) promptly notify the Board of any instructions given to it by the Company which have not been complied with.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

Note 19. Investment Manager Continued

(b) Each party is to provide three months' notice to terminate the Agreement. The Company may immediately terminate the Agreement where Platinum Investment Management Limited:

(i) becomes subject to a receiver, receiver and manager, administrative receiver or similar person;

(ii) goes into liquidation;

(iii) ceases to carry on business in relation to its activities as an Investment Manager;

(iv) breaches a material provision of the Agreement, or fails to observe or perform any representation, warranty or undertaking given by Platinum Investment Management Limited under the Agreement; or

(v) sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of Platinum Investment Management Limited or beneficial interest therein, other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by the Company.

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

Note 20. Remuneration of Auditors

During the financial year, the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company:

	2016 $	2015 $
Audit services relating to the financial statements		
Audit and review of the financial statements	**105,000**	110,589
Other services		
Taxation services	**37,301**	44,954
Analytical and assurance services – fee modelling* and agreed upon procedures of new performance fee structure calculation**	**19,800**	–
	162,101	155,540

* PwC was engaged to provide fee modelling analysis in relation to the management and performance fees payable, when comparing with the old fee structure (effective up to 31 December 2015) to the proposed new fee structure (effective on and from 1 January 2016).

** PricewaterhouseCoopers were engaged by the Directors to undertake certain agreed upon procedures to assist the Directors in their review of the carried forward underperformance amount.

Note 21. Key Management Personnel Disclosures

Key management personnel

Details of remuneration paid to the Non-Executive Directors are outlined in the Statement of Profit or Loss and other Comprehensive Income and in the Remuneration Report and in aggregate terms was $186,150 (2015: $169,725).

Interests of Directors in shares

The relevant interest in ordinary shares of the Company that each Director held at balance date was:

	OPENING BALANCE	ACQUISITIONS	DISPOSALS	CLOSING BALANCE
Bruce Coleman	240,000	–	–	240,000
Richard Morath	32,400	–	–	32,400
Jim Clegg	20,000	–	–	20,000

Note 22. Related Party Transactions

Management fees

Disclosures relating to management fees paid and payable to the related party, Platinum Investment Management Limited are set out in Note 19.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

Note 22. Related Party Transactions Continued

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

The services provided extend to liaison with the share registry to ensure that accurate share records are maintained and services are provided to shareholders in a timely and efficient manner.

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

Key management personnel
Disclosures relating to key management personnel are set out in Note 21 and the Remuneration Report.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 23. Contingent Assets, Liabilities and Commitments to Capital Expenditure

No contingent assets or liabilities exist at 30 June 2016 and 30 June 2015. The Company has no commitments for uncalled share capital on investments.

Note 24. Events after the Reporting Period

Apart from the dividend declared as disclosed in Note 11, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 25. The Company

The Company
Platinum Capital Limited is a company limited by shares, incorporated and domiciled in New South Wales. Its current registered office and principal place of business is:

Level 8, 7 Macquarie Place
Sydney NSW 2000

A description of the nature of the Company's operations and its principal activities is included in the Directors' Report.

DIRECTORS' DECLARATION
30 JUNE 2016

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Bruce Coleman
Chairman

Richard Morath
Director

19 August 2016
Sydney

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PLATINUM CAPITAL LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Platinum Capital Limited (the Company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration.

Directors' responsibility for the financial report

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

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. Those 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.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

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

Auditor's opinion
In our opinion:

(a) the financial report of Platinum Capital Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PLATINUM CAPITAL LIMITED

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 22 of the Directors' Report for the year ended 30 June 2016. 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

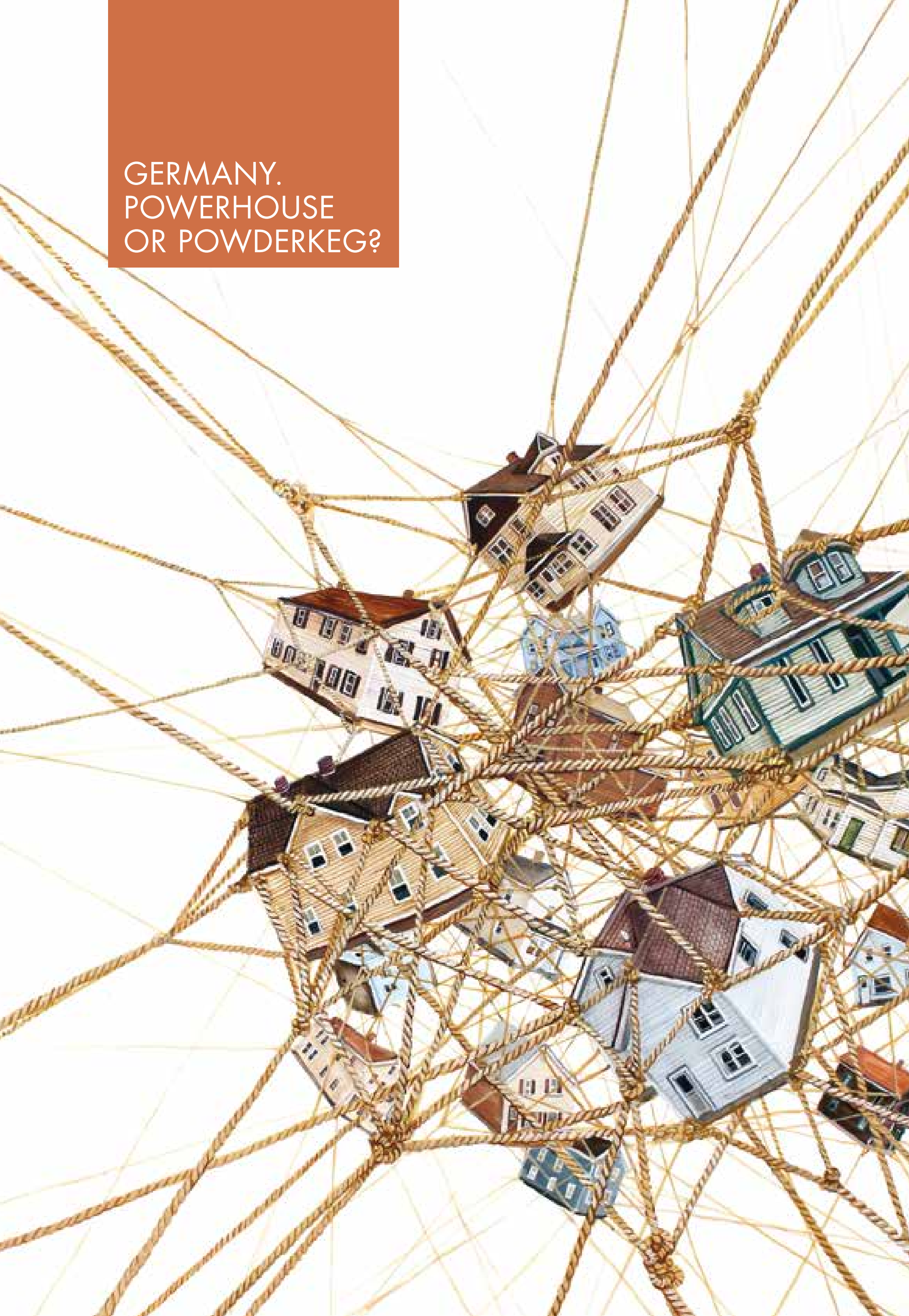
In our opinion, the Remuneration Report of Platinum Capital Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Joe Sheeran
Partner

Sydney, 19 August 2016

GERMANY. POWERHOUSE OR POWDERKEG?



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DESPITE SIGNS OF ECONOMIC RECOVERY, EUROPE, INDEED THE DEVELOPED WORLD, HAS BEEN ENGULFED BY A WAVE OF ANTI-ESTABLISHMENT MOVEMENTS OVER THE PAST YEAR. WHAT IS GOING ON? AND WHY? CHARLES WEULE'S ON-THE-GROUND REPORT FROM GERMANY, THE HEART OF EUROPE'S IMMIGRATION CRISIS, MAY HELP SHED SOME LIGHT.

PREFACE

THE PRESENT DECADE HAS BEEN A TUMULTUOUS ONE FOR EUROPE. MORE THAN A HANDFUL OF COUNTRIES IN THE EUROPEAN UNION WENT THROUGH A SOVEREIGN DEBT CRISIS IN THE AFTERMATH OF THE 2008-09 GLOBAL FINANCIAL CRISIS AND, AT LEAST FOR NOW, FISCAL AUSTERITY AND UNPRECEDENTED MONETARY EXPANSION CONTINUE TO SIT SIDE BY SIDE AS THE TWIN PILLARS OF ECONOMIC POLICY.

A REGION THAT WAS ALREADY APPREHENSIVE FROM ECONOMIC UNCERTAINTIES WAS FURTHER SHAKEN BY THE SERIES OF ISLAMIC TERRORIST ATTACKS AND THE INFLUX OF MILLIONS OF IMMIGRANTS AND REFUGEES *EN MASSE* FROM THE OTHER END OF THE MEDITERRANEAN SEA AND BEYOND.

The angst and frustration culminated in the vote of the British people on 23 June 2016 to leave the EU, but the chaos that ensued at Westminster suggests that 'solutions' and stability, if there were such a thing, are still some distance away.

Of these continual crises, last year's refugee crisis has been one of the most trying on the cohesion and strength of the EU and was arguably a key factor that shaped the outcome of the Brexit referendum.

While politicians and bureaucrats wonder at the intensity and spread of anti-establishment sentiments and mainstream media busy themselves with denouncing the re-emergence of far-right nationalism, an on-the-ground, first-hand account of the daily interactions between the locals and the newly arrived immigrants may shed some light on the cause of the widespread discontentment and the breakdown of a precarious equilibrium and unity.

And so we present you with this special report from Charles Weule. Charles is a former investment analyst at Platinum, who now lives and works in Germany. Equipped with a unique linguistic gift, Charles has travelled to and lived in many parts of the world. Having learned Japanese fluently, he went on to become totally proficient in Mandarin. As with these two Asian languages, his use of German leaves him indistinguishable from a native.

Charles has been teaching languages in Berlin. In 2015 he joined the ranks of thousands of Germans to help – to work with – the one million refugees that have found their way to this new 'Promised Land'. The seemingly trivial encounters relayed in Charles' account paint quite a different picture to what one might hear from both Chancellor Merkel and her counterpart in the Alternative for Deutschland (AfD) party.

The picture is not one comprised only of lifeless children washed up on the shores of Greek islands and war-ravaged families marching through the perilous roads of the Balkans. Nor is it as simple as altruism versus xenophobia, good against evil, right versus wrong. Truth and reality are often drowned out by the voices from the two extremities of the spectrum.

The multiple rounds of financial bail-outs extended to other EU nations did not much diminish the heroic status of Angela Merkel in the eyes of the German people. But when she decided to welcome the countless immigrants fleeing war-torn Syria and Iraq (and whoever else that saw it desirous to join them on the journey) with open arms, many turned against her and sided with neighbouring governments with less magnanimous policies.

The lack of consultation with Germany's own citizenry as well as other European countries, the lack of consideration given to both short- and long-term consequences, and the sheer unpreparedness for what was to follow – which was so atypical of Germans – annoyed, frustrated and enraged many.

When large numbers of foreigners with different religions, different values and different expectations are suddenly imposed on communities, at least some of their concerns and displeasure seem natural enough. The issue of immigration is much more than economics and politics. It impacts on the collective sense of security, identity and sovereignty of a population, and is emotive at an individual level.

While we may observe from afar the geopolitical crises playing out in Europe and analyse the economic impact of the ECB's negative interest rates, Charles' report brings a broader and closer view on the situation in the region and gives us a rare insight into the thinking of ordinary German citizens. He also provides us with a historical perspective. Viewed in the context of the country's past woes and vicissitudes, the generosity of the German people shines through as all the more extraordinary and their fear and exasperation all the more understandable. It helps to understand how governments' mismanagement of sensitive issues like mass immigration could lead to popular revolts and irrational outcomes like Brexit, and this may in turn help us prepare for what may be lying ahead.

KERR NEILSON

Managing Director
August 2016

THE BALKAN ROUTE TO EUROPE'S POWDERKEG

BY CHARLES WEULE

QUESTIONS OF SOVEREIGNTY

THESE ARE INTERESTING TIMES TO BE LIVING IN GERMANY – INDEED IN EUROPE, WHICH SEEMS TO GROW AND SHRINK, WAX AND WANE, BE NEAR EXPLODING AND THEN CALM AND CIVILISED (ALBEIT AMID TALK OF CIVIL WAR) FROM ONE DAY TO THE NEXT.

INTERESTING TIMES – A VIEWPOINT FOR SOCIOLOGISTS AND SIMILARLY PASSIVE OBSERVERS. FRIGHTENING TIMES – IN THE MINDS OF A GROWING MANY.

Sovereignty, once the stuff reserved for kings, has long been owned by respective peoples, thanks to Europe's gift of Enlightenment. Or at least that was the taught thought.

While the Brits, in the tradition of the Magna Carta, are leading the charge against wanton waste stemming from Brussels, Berlin's citadel has been rocked regularly enough over the last twelve months to suggest that policy there is also out of joint.

Hubris had grown around Deutschland's hitherto ability to contribute, indeed instigate, remedies for the transnational problems of others. Less than a year ago, however, that reputation began to unravel, as word went out from Berlin that displaced folk who could find their way to central Europe would find shelter inside Germany's welcoming borders.

Unlike mobile phones, passports proved irrelevant (which is itself a shocking fact of temptation. Even after living here legally for eleven years, whenever I renew my residency permit I need to prepare ten pieces of stamped documentation proving that I have work, health insurance, superannuation and that I have never received a cent of welfare or other government money). And so more than a million came.

THE IDEA WAS THAT THE REST OF THE CONTINENT WOULD BE COAXED INTO PITCHING IN TO ALLEVIATE THE BURDEN ADDING DAILY ON GERMAN SHOULDERS.

Europe's changing political make-up, however, saw this last of Berlin's great hopes severely falter, indeed backfire.

Talk by the Chancellor or any other German minister holds less sway across Europe. Attempts to pull European 'partners', even kicking and screaming along, have not worked. Lecturing the rest of Europe with wailing words backed by Brussels that Europe is built on values of solidarity and doing the right thing; suggesting Europe should morally act as one, even simply requesting a token show of help – Germany's Coalition ministers have resorted to all this in front of the cameras and who knows what frantic mix of insisting and pleading behind the scenes.

This developing lack of continental deference has begun to impact German domestic issues and the topic of refugees has grown into the biggest and most pressing set of questions for the government, dominating not daily, but hourly discussions on German radio and television.

SO MANY QUESTIONS REMAIN UNANSWERED. HOW MANY PEOPLE ACTUALLY ENTERED GERMANY LAST YEAR WITHOUT SHOWING ANY IDENTIFICATION?

How many were refugees fleeing conflict and how many were simply opportunists seeking a better life? Are they literate, educated? Are they traumatised and needing long-term therapy and care from psychologists and counsellors?

Reportedly only 363,000 of the 1.25 million newcomers came from war-ravaged Syria. Many are from Afghanistan where German soldiers and others have spent years and millions of euros, even sacrificed their lives, helping to bolster the local economy and security.

Why should they qualify as asylum seekers when at least parts of their countries are safe to live in? Why do so many come from countries free of conflict? Why don't they stay where they land in Europe and are supposed to register? *Have* they been registered?

Heightened security concerns, especially after repeated terrorist attacks in Europe recently, have exacerbated the dilemma that had grown around the number of asylum seekers into a full-blown crisis. More general concerns have similarly taken hold, not least in terms of how politicians and people lower down Germany's bureaucratic food chain ought to deal with such large and, moreover, *unknown* numbers of people from often unknown backgrounds.

Young men from the Maghreb claimed status as Syrians until translators detected their varied Arabic. Not to worry, suggested pro-refugee politicians and overly optimistic industry leaders, Germany could easily do with a few thousand educated young people to fill vacancies across the booming home economy.

Linguistic idealists saw chances to promote German culture and language through this supposedly malleable, integration-willing million. In the meantime, we were told, there are plenty of tax euros available to take care of accommodation, education and whatever. Whatever indeed!

Other locals were more sceptical. Statistics collected about the newcomers remain blurry at best, given the number of folk without identity papers but who share similar names and claim January 1 as their birthday. Others shy away from registering their whereabouts in the first place.

UNCERTAINTY COUPLED WITH FEAR CONTINUES TO REIGN ON BOTH SIDES OF THE DEBATE WHICH IS DOMINATING GERMAN AND WIDER EUROPEAN POLITICS. SOME CLAIM THIS IS ALL EXAGGERATION.

Cognitive dissonance is of course a most human condition and points to our fallibility and inability to recognise fault. Cognitive dissonance in the political world, however, can have dire effects on policy and therefore future generations.

Germany's Vice-Chancellor has suggested that *five million* refugees could be assimilated over the next five years – a statement easy enough to make, easy enough for his supporters to support.

BUT WHERE AND HOW SHOULD THESE MILLIONS BE ACCOMMODATED, SCHOOLED AND EMPLOYED? MANY EUROPEANS SHARE A SENSE OF WONDERMENT AS TO HOW EVERYTHING SHOULD FINALLY PLAY OUT.

Countries outside Europe like Jordan and Turkey continue to house many more refugees. And Australia has a higher proportion (with 28%) of foreign-born residents compared to the EU (averaging 9%). So why all the fuss?

The main cause for furore centres on the fact that Germany has been left facing a problem of its own making and the need to accommodate hundreds of thousands of newcomers to Europe continues to fall on German shoulders. However broad they may be, they are not those of Atlas. Nor has Angela Merkel's superhero status translated into further trans-European currency.

Part of the 'problem' concerns the fact that a significant role of sovereign government – namely immigration policy – in effect broke down. Uncontrolled and unchallenged, more than a million mainly single young Muslim men were allowed to flood sovereign borders.

DOING THE RIGHT THING VERSUS A DIVIDED EUROPE

UNTIL THE MIDDLE OF 2015 EUROPE WAS MOSTLY PREOCCUPIED WITH GREECE'S RECURRENT SOVEREIGN DEBT CRISIS AND THE POSSIBILITY OF A 'GREXIT'.

THE ISSUE OF REFUGEES PADDLING ACROSS PARTS OF THE MEDITERRANEAN FEATURED AS LITTLE MORE THAN A SIDE-STORY, BECAUSE, FOR THE MOST PART, GREECE'S PROBLEMS WERE ONLY REPORTED FROM A NORTH EUROPEAN PERSPECTIVE.

So when did the waves of migrants arriving in whichever parts of Europe become a *European* crisis?

Ironically, the answer depends on which part of Europe you consider. The year 2014 saw 276,000 people enter the EU illegally, 207,000 of whom crossed the Mediterranean. Almost 203,000 sought asylum in Germany, 60% more than in 2013. Deutschland is now the second most popular destination for migrants, after the USA.

The first half of 2015 (with almost 70,000 arrivals) saw Greece replacing Italy as the most popular point of entry. For July 2015, Frontex reported a record of 107,500 refugees crossing EU frontiers, near half of whom entered Greece while some 20,000 arrived in Italy. Arrivals in August alone totalled around 110,000 with near double that figure registering as a monthly peak in October.

By year end, between 800,000 and 900,000 refugees were *estimated* to have reached Greece. Previously a bumper year for immigrants to the EU saw figures around *half a million*.

NEW JARGON SPRANG UP: 'HOT SPOTS' WERE THE ISLANDS WHERE REFUGEES WERE FLOODING IN, THE BULK OF WHOM THEN KEPT MOVING ALONG THE 'BALKAN ROUTE' TO THE OPEN ARMS OF CHANCELLOR MERKEL.

Greece as well as Italy became overwhelmed by the new arrivals from Syria and elsewhere, people whose plain intent was getting their foot in Greece's door and then into Europe proper. Yet, the rest of Europe did little to assist.

It was only when tragic reports surfaced of some of the actual victims of unscrupulous people smuggling inside the EU that the authorities finally acknowledged that something had to be done. The worst came in August 2015 when more than seventy corpses were found in an abandoned truck along a road in Austria. One little girl among the victims was no more than one or two years old.

AND SO THE GERMAN CHANCELLOR OPENED THE FLOODGATES, INVITING AND WELCOMING THE SUPPOSEDLY HARD-DONE-BY INTO DEUTSCHLAND AND HENCE EUROPE, WITHOUT ANY CONSULTATION WITH HER NATIVE CITIZENRY OR ANYONE ELSE IN THE UNION, RAISING THE IRE OF MANY.

It seemed the right thing to do, after all. What decent European could have disagreed with her *at the time?*

But many Europeans wish German politicians had been more aware of the rest of their 'Europe' and had acted more responsibly before sending out 'the wrong signals' to desperate folk beyond Europe's shores. There, people smugglers helped feed demand by orchestrating a deluge of misinformation, turning the average refugee's 'smartphone' into something of a misnomer that 'informed' the desperate folk about all the good things waiting in Germany – a free apartment, easy work or just free money!

Indeed, Deutschland's prying open the floodgates at one end helped little at the narrow locks along the Balkan way. Despite being under obviously immense strain, little effective aid ever flowed to Lampedusa or Lesbos.

I watched, among others, Luxemburg's foreign minister, comfortably stationed in the EU's smallest, if not richest, member-state, condemn Hungary's actions with tear gas and water cannons against frustrated refugees determined to enter the main part of the European Union.

Then the famous fence rose. The first of many, back down through the Balkans, with the final stand-offs occurring along Greece's border with Macedonia. News followed that several hundreds, then thousands, of refugees had re-adjusted their route to Croatia whose government said they would 'welcome' them on their way to apply for asylum – further north.

Incidentally in 2014 Hungary reportedly registered 43,000 asylum seekers with the number quadrupling in 2015. Croatia's intakes are either inaccurate or laughably low. Could Eurostat's 140 for all of 2015 be right?

Of course, there are arguments as to why refugees prefer not to stay in Croatia, given the country's 'overly' homogeneous society and the fact that unemployment is far higher than in friendly multicultural Deutschland where they can hook up with friends and family from home.

BUT IT WAS A TELLING MOMENT WHEN SOME GERMAN COMMENTATORS CRITICISED CROATIA'S LEADERS AS BEING NO BETTER THAN PEOPLE SMUGGLERS IN THEIR DESIRE TO LOOK GOOD WHILE EAGERLY PUSHING THE DESPERATE WEARY SOULS IN TRANSIT TO MARCH ON NORTHWARD.

Within hours of the first hundreds of refugees arriving and subsequent tensions with Croatian police rising, Croatia became the next EU country to instigate border closures.

WHILE MANY GERMANS ARE MORE CONCERNED WITH INDIVIDUAL FREEDOMS AND SECURITY THAN COLLECTIVE SOVEREIGNTY, THEY COMPLETELY UNDERSTAND THEIR NEIGHBOURS' DISINTEREST IN JOINING GERMANY IN THE MASS INTAKE OF NON-EUROPEANS.

After all, it wasn't *their* heads of government who invited a million strangers into the heart of Europe. Far from the notion of solidarity that Brussels intended, the Poles, Czechs, Slovaks and Hungarians have taken to helping defend each other's borders, even sending troops in some cases. That is the state of Europe caused by irresponsible talk in Berlin, they claim.

Having finally accepted that the problem lies further away than the 'hot spots', Berlin saw it bilaterally convenient to donate 3 billion euros to Turkey's much-in-need government in order to convince that country's fickle regime it could better regulate (i.e. diminish) the flow of migrants from Syria to Europe (i.e. Germany).

MOUNTING PRESSURES FROM WITHIN

IT WAS IN SEPTEMBER 2015 THAT MERKEL'S TRADITIONALLY OSSIFIED EXPRESSION FAMOUSLY SURPRISED MANY WITH THE DECLARATION THAT 'IF WE SHOULD BE SORRY FOR DOING THE RIGHT THING AND HELPING (HOWEVER MANY MILLIONS) IN THEIR HOUR OF NEED, THEN THIS IS NOT MY COUNTRY'.

Similarly gaunt during a rare talk show appearance shortly before key provincial elections in March 2016 and following growing support for her chief critic from within, the Governor of Bavaria, the Chancellor admitted to having no 'Plan B', asserting that she was sure she was on the right track.

The right-leaning (if not hell-bent) AfD (Alternative for Deutschland), albeit new to Deutschland's political scene, shocked the established spectrum of German parties with their landslide acquisition of seats in all three provincial parliaments contested in March 2016.

In Sachsen-Anhalt, the AfD upset all rivals, taking second place with 24.2% of the vote, behind only Merkel's CDU (Christian Democratic Union) which won 29.8%, down from 32.5% in 2011 and losing numerous seats. The Left, which came second in the 2011 election, saw about a third of their base obliterated this time round, plunging from 23.7% to 16.3%, while the SPD (Social Democratic Party), the CDU's federal coalition partner, was embarrassed by the halving of its support to just 10.6%.

A CLEAR SENSE OF MORAL RIGHT MAY OBVIATE ANY NEED FOR MAJOR POLICY CHANGE IN MERKEL'S MIND, BUT ACTION OF SOME KIND IS NEEDED.

Considerable to-ing and fro-ing between Berlin and Munich only adds to signs of uncertainty. Bavarian ministers tell Berlin that it is all well and good to say a million refugees are welcome but it's not much fun for everyone in Bavaria, the south-eastern part of Germany where the majority of immigrants trudge their way in. Berlin seems to offer little more than half-baked measures on a region-by-region basis.

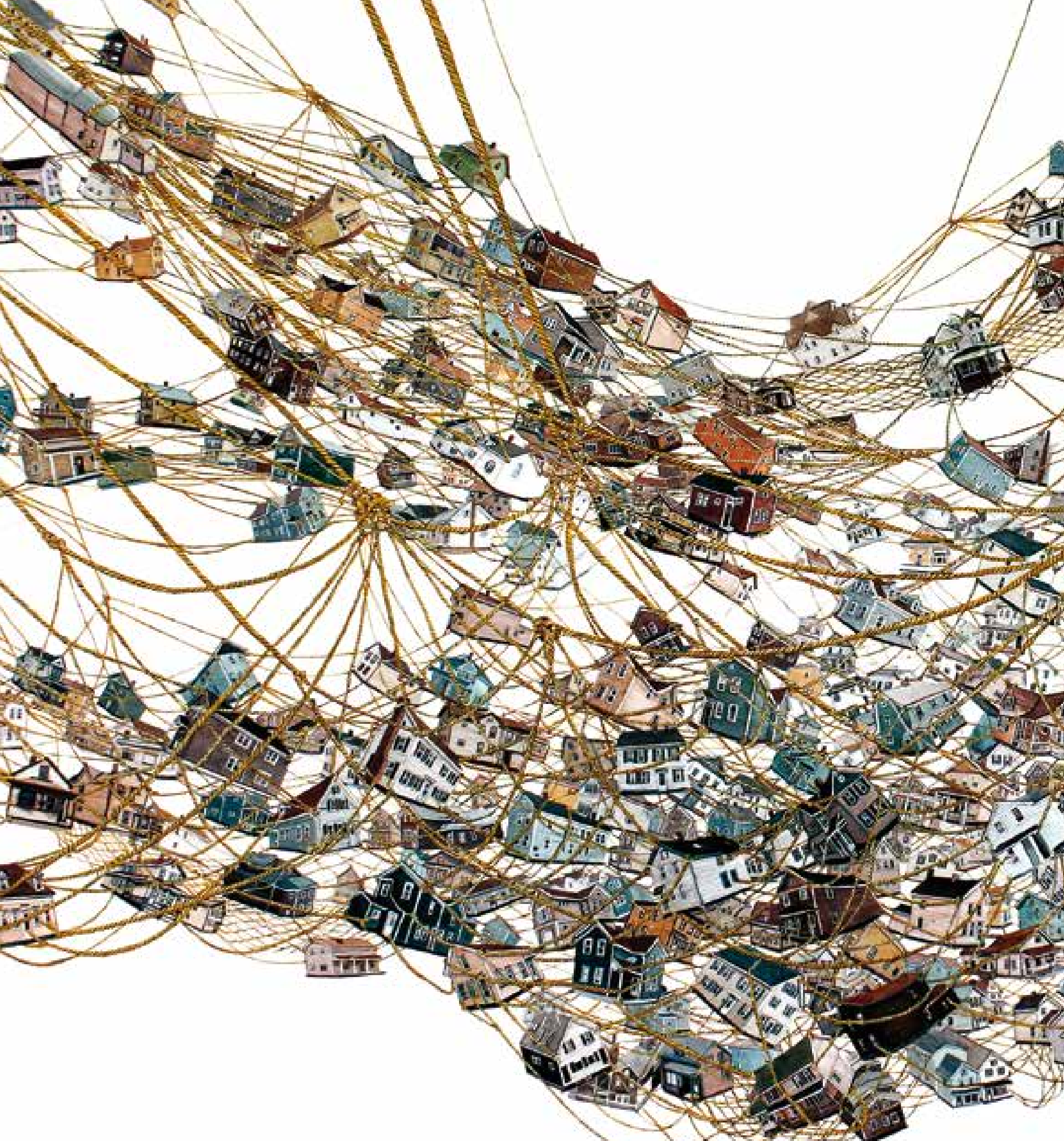
Closer to earth, I shuffled along to our local teacher training centre for two seminars on 'intercultural expertise', followed a few days later by a 'theme day' on welcoming and integrating refugees, where we were advised by our bureaucrat lecturers to refrain from using all manner of 'water-related metaphors' when referring to refugees: terms like 'waves', 'flood', 'inundation' were to be avoided. Lots of good intentions lost in a lot of scrambled quotes and figures rather than any helpful knowledge or practical tips for dealing with the newcomers.

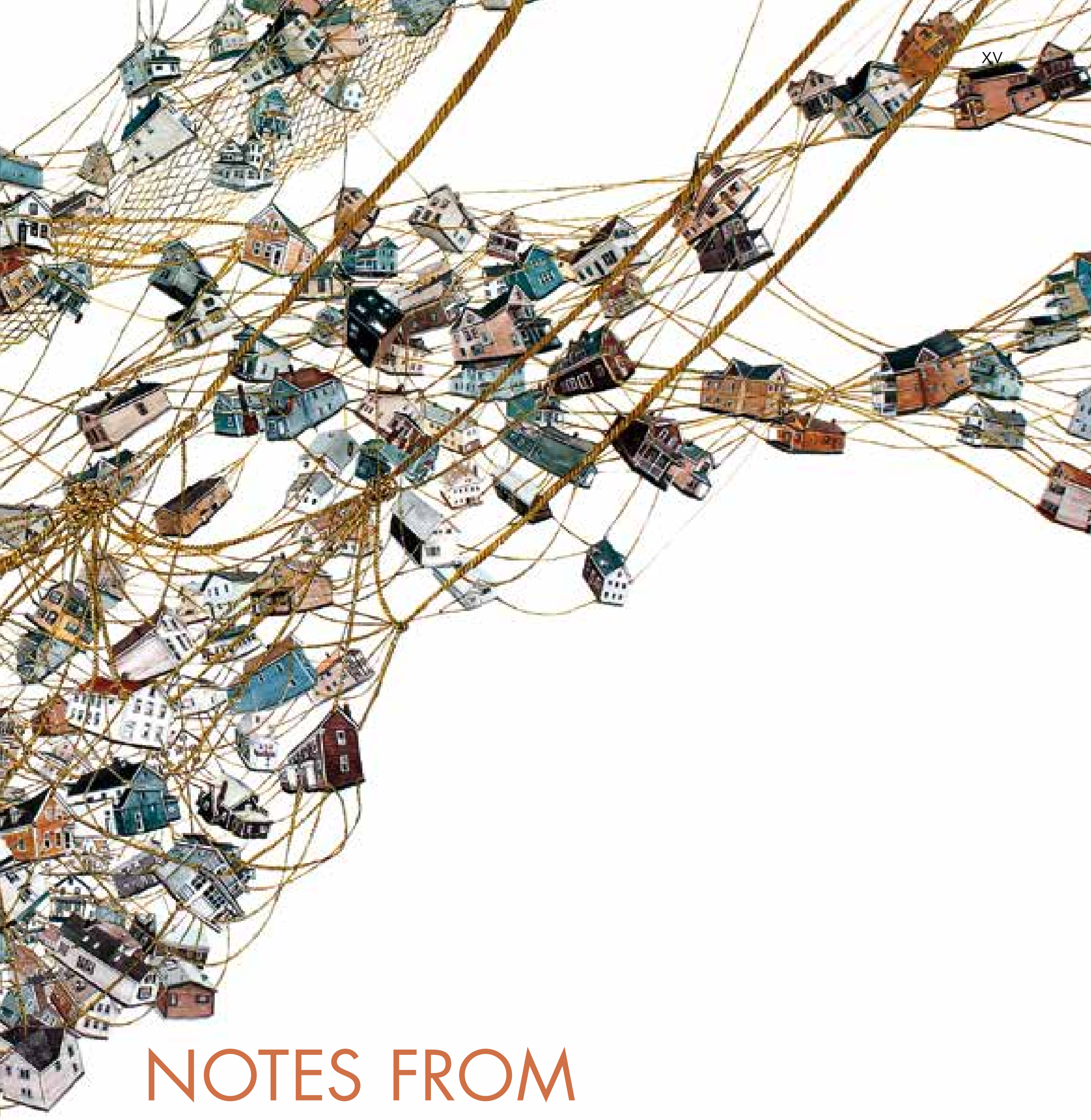
There appear to be two sides to the Chancellor's approach, summed up respectively as 'sit on your hands until the rest of Europe finally does the right thing and takes several hundred thousand refugees off our hands', and 'throwing money (reportedly not a problem in fiscal-strong Deutschland) at pieces of the problem in the meantime'.

Waking up to the reality on the ground means far more than passing on a few euros here and there to local councils who are the ones who have to deal with everything from setting up beds and bathrooms in gyms and school halls, then telling surprised locals where they needed to go instead for sport and school, to re-organising teachers and counsellors so they can cater to the individual needs of new arrivals, to drawing up and filling out new forms for everything from bus passes to doctor's visits. Take it from me: the tasks are overwhelming.

IN THE MEANTIME, BACK IN BERLIN, THE FEDERAL MOVERS AND SHAKERS REMAIN LAX TO ADMIT THEY HAVE TURNED UP SHORT OF MEASURES TO DEAL WITH THE PLETHORA OF ISSUES WHICH SHOULD BE DEALT WITH BY A MORE WHOLESOME REFUGEE INTAKE POLICY UNDER THEIR AUSPICES.

Indeed they are increasingly running out of rhetoric to support the government's stand or lack thereof concerning the crisis.





NOTES FROM ON-THE-GROUND

LAST SUMMER I TYPICALLY LEFT BRANDENBURG GATE STATION ALONG THE FAMOUS UNTER DEN LINDEN BOULEVARD TO FINISH MY COMMUTE TO WORK ON FOOT. I OFTEN LOOKED BACK PAST THE STATION EXIT AND RAN MY EYES UP AND DOWN THE GATE'S PROUD STRUCTURE, STRUCK WITH ITS ACCRETED SYMBOLISM. I CONSIDER HOW FORTUNATE I AM – WE ALL ARE – THAT BERLIN IS FREE.

From West to East, as I would head further into what used to be the dreaded communist zone – hardly imaginable thirty years ago and now a mere fact of daily routine. After work, I typically took in some air with a walk towards Potsdamer Platz.

Strolling along Hannah-Arendt-Straße, I would dodge all manner of preoccupied tourists, including go-carters and cohorts on Segways. The broad, deep green horizon of the Tiergarten with its traditional order of botanical uniformity offered relief with its appearance in the distance while to my right the Holocaust Memorial opened up its menace of reminders to thinking folk.

Beyond, the Reichstag with its trendy transparent dome settles in to fill out a picture of local and global perspective. Children and older fun-seekers hug and slap individual pieces of the Jewish Memorial. Others hop and skip and stand and sit atop the perhaps otherwise boring, lifeless, non-retaliating blocks which comprise this most industrial, most German field of remembrance.

AND I WONDER IF THEY, EVEN AS TOURISTS FOCUSED ON FUN, HAVE ANY IDEA AS TO THE MEANING OF THE PLACE THEY ARE BOUNCING AROUND.

The dark grey waves of curiously undulating concrete lend their own sense of understanding. A mix-match of Prussian perfection in terms of shared shape and symmetry while each individual block rises with its own smack of stature, relevance, and right, tall or short, as if to say, 'Here I am! Remember me!'

The end of August 2015 was the end of a month which had brought little rain while searing temperatures had motivated many Berliners to rise earlier for work so they could achieve more output with pots of coffee or carafes of water during the cooler mornings. The harsh climate had turned the edges of many trees' foliage into an uncustomary autumnal tone – a look of healthy vibrant green lost to premature yellows and even wrinkled, withered tones of brown.

That was last summer. Since then much has changed while many in mid-2016 are still playing catch-up. As a recently appointed teacher for refugees, let me report from my own on-the-ground experience.

Good old Europe is still home to many idealists who want to save the world inside borderless Europe's fickle frontiers. Finally in January 2016 a perusal of disappointing statistics made clear that a high proportion of the new arrivals are illiterate, at least with respect to the ABCs of the Roman alphabet.

Some Africans feel far from home in Europe, believing that every priority is given to Syrians and others from the Middle East at their expense.

When a group of Somalis realised I was Australian, they laughed at my position as a German teacher. But the laughter soon stopped when one of them was keen to find out what the chances were for migrating to Australia.

THERE SEEMS TO BE A MENTALITY THAT THE WEST IS PUTTING EVERYTHING OUT ON OFFER AND THEY CAN PICK AND CHOOSE AS THEY PLEASE.

A colleague went to the trouble of providing folders and dictionaries to our school's refugees at her own expense. The following day, one African handed his gift of a dictionary back, asking why he couldn't have a 'new' one like other classmates.

After a mid-term test, I divided the beginners into those who could move to intermediate level and those who had to stay behind until they improved. The same fellow, kept back as a result of his own performance, then stopped coming to school. There were even a couple who failed to take care of the notebooks we handed out free of charge at the start of the course and then asked for free replacements six weeks later.

Every day I set out dictionaries on desks for people I couldn't be sure would turn up. When they did come, they didn't want to bother with books or hand-outs unless there were helpful pictures or – as I have taken to doing – explanations in their own languages.

INDEED GERMANS ARE GOING OUT OF THEIR WAY TO PROVIDE INFORMATION ALL OVER THE PLACE IN ARABIC AND OTHER LANGUAGES.

Given the distances travelled and the relatively few possessions they had, it should come as no surprise that many asylum seekers are more than keen to receive everything on offer. Everybody in class is suddenly alert when someone receives a government form which might relate to more money.

WHAT IS DISAPPOINTING IS THAT FEW SEEM WILLING TO OFFER MUCH OF THEMSELVES IN RETURN. AND THAT HAS MANY LOCALS SCRATCHING THEIR HEADS, SOME IN WONDER, OTHERS IN ANGER.

People see news reports featuring streams of young, single Muslim men pouring into their countries and swarming around landmarks where they harass local women while seemingly have nothing better to do.

The thought of trying volunteer work, like thousands of Germans do, is not something that crosses their minds, whether it is because of the lack of such a concept and custom back in their homelands or of the uncertain circumstances in which they find themselves in their new country.

Then there are those for whom even paid work seems not enough. One young Afghani man, who claimed to have been a banker in his homeland, was given a traineeship in a local factory. The arrangement was heralded on TV news as a shining example of the government's refugee settlement policy. But when the TV crew returned a few weeks later for a 'follow-up' program on the new trainee, he was nowhere to be found.

So why had he not gone back to work after Day 1? It turned out that standing and doing manual work for eight hours a day was not what he had expected of his 'new life' in Europe. His wish was to become a professional footballer. So the good-minded folk who had arranged his apprenticeship were left confused and disappointed.

OBLIVIOUS TO HOURLY NEWS REPORTS ON THE LATEST GOVERNMENT POLICY CONCERNING THEIR FUTURES, SOME REFUGEES SEEM EQUALLY OBLIVIOUS TO HOW UNWANTED THEY ARE IN MANY PEOPLE'S MINDS AND BACKYARDS.

'They don't want to work like Germans, so what do they want here? Money for nothing forever?'

The media react with talk of *Hetzer* (agitators) and those intent on undermining Germany's post-war democratic Constitution. They invite liberals to friendly interviews aimed at challenging any 'thinking' person's desire to side against Deutschland's 'welcoming culture' or *Willkommenskultur.*

Yet the press claim to be at a loss as to why ever more people feel misrepresented and denied a voice! Journalists' condescending anti-AfD, anti-PEGIDA (Patriotic Europeans opposed to the Islamisation of the West) sermonising only serves to up the ante against them.

Daily scenes are televised of people stranded further afield at national borders as local authorities have toughened up and clamped down on letting everybody – anybody – in.

SCENES INCLUDE DESPERATE MEN RAMMING SECURITY FENCES AND THROWING STONES AT GUARDS IN FRUSTRATION. 'WE ONLY WANT TO PASS,' THEY CLAIM. BUT THAT'S HARDLY TRUE.

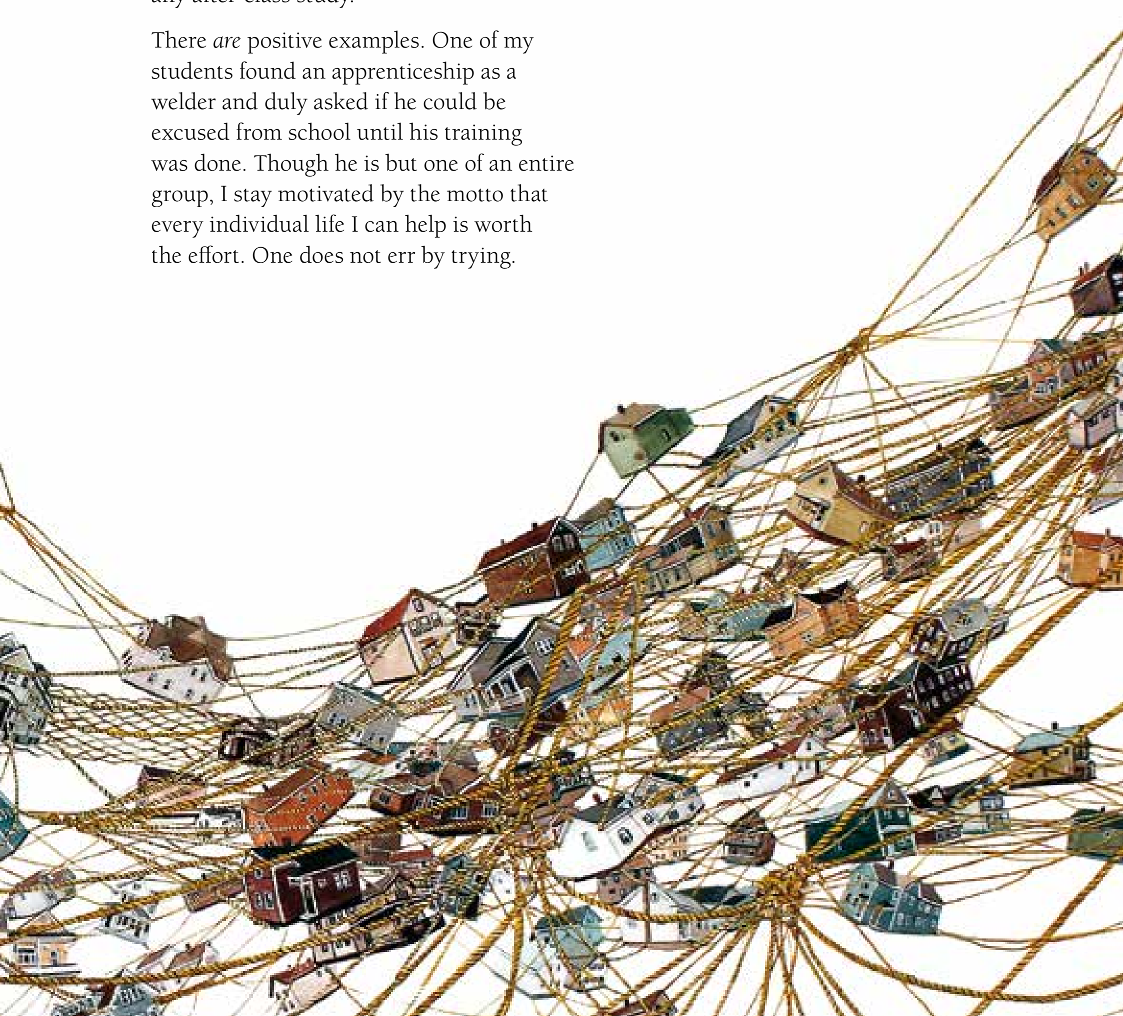
They want much more than that. 'An apartment and social aid money already waiting for them', according to some smugglers' advertised lines. 'Germany wants you', they have heard. 'Why won't they let us in?' they ask. And children are brought into the protest in an attempt to raise sympathy for their plight.

But many in Europe ask what parents subject their children to all this. What person brings yet another child into a world wrecked by war or into such circumstances while they are on the run?

What sort of responsibility does that show? What sort of people are being let in, often without identity papers, but with what lack of compatible thinking?

Time and again I come across some well-meaning journalist's report about some young refugee who just wants to make it to Germany so he can study computers. That is also the answer I get from several of my own pupils, who yet leave me flabbergasted at their lax attendance records and general disinterest in doing any after-class study.

There *are* positive examples. One of my students found an apprenticeship as a welder and duly asked if he could be excused from school until his training was done. Though he is but one of an entire group, I stay motivated by the motto that every individual life I can help is worth the effort. One does not err by trying.



DIFFICULTIES OF INTEGRATION, AND DIFFERENT EXPECTATIONS

‘YOU HAVE TO LEARN DEUTSCH IF YOU WANT TO STAY HERE, LIVE HERE, *WORK* HERE.’ (FAIR ENOUGH. AUSTRALIANS ALWAYS SAY FOREIGNERS WHO COME TO AUSTRALIA SHOULD SPEAK ENGLISH.)

BUT THE LEADER OF THE SOCIAL DEMOCRATS AND VICE-CHANCELLOR SURPRISED MANY WHEN HE ANNOUNCED, ‘PEOPLE WHO COME HERE BUT DON’T WANT TO BE INTEGRATED SHOULDN’T BE HERE IN THE FIRST PLACE.’ SENTIMENTS ARE CHANGING.

I have given my pupils newspaper articles about the problems refugees face finding a flat, a job, or long-term residency – all intended to help motivate them, so that they see learning Deutsch is the key to all these things and more. Yet, they remain some of the friendliest and most unmotivated people I have ever come across. Of course they are happy enough in the classroom where they can chat around the room in Farsi or Arabic.

Despite having gestures and body language down pat, and when that doesn’t work, resorting to my trilingual trick with English and French as well as Deutsch as required, still there are always one or two who want confirmation from a neighbour using their own language.

It is one thing to be understanding and accepting, but when students spend all their time outside class speaking their own languages, their time inside the classroom has to be in German as much as possible. That is why, when the questions keep flowing in English, I reply in simple, slow Deutsch, so they see that they *can* understand.

I ask what a word means and when they finally turn to a dictionary and tell me the word in English, I say, yes, but explain the meaning to me in German. 'I can't!' eventually gives way to a decent attempt – and progress.

Some of my students are keen to head off into the working world *'ASAP'* (even though they are not yet legally permitted to work and hardly possess the basic language skills needed) and I would be left wondering at yet more truancies until I spotted them in tradesmen's clothes at the local train station.

As is often the case with adult immigrants, the eagerness to improve their material situations is not matched by an appreciation of the importance of learning the local language and that it holds the key to better work and better housing as well as their chances of integrating into mainstream society and becoming accepted.

I CAN SEE JUST HOW COMMUNITIES BUILD UP AND RISK BECOMING RULED BY GHETTO MENTALITIES. THE FIRST GENERATION IS ALWAYS THE CHALLENGING ONE AND THE ONE FACING THE MOST CHALLENGES.

My Scottish ancestors spoke English well enough but preferred to intermingle and intermarry with each other after arriving in Australia. It took a couple of generations before they branched out to hitch up with Anglicans and others.

HOWEVER, TODAY IN DEUTSCHLAND, MANY NEWCOMERS ARE OF THE BLUNT OPINION THAT THEY CAN ALREADY SPEAK ONE WESTERN LANGUAGE, WHICH HAPPENS TO BE ACCEPTED AROUND MUCH OF THE WORLD, SO WHY THE NEED TO LEARN GERMAN?!

I have had to go to meetings to translate (from French or English) regarding issues with their mobile phone contracts, or explain a fine resulting from their riding public transport without a ticket. With eleven nationalities represented – Eritrea, Somalia, Kenya, Cameroon, Iran, Syria, Palestine, Afghanistan, Chechnya, Albania and even India – you can rest assured, there is never a dull day in the classroom.

As a *freier Geist* (free spirit) who has been fortunate to travel much of the world and pick up languages here and there, I have to realise that these migrants are here for very different reasons.

FREIHEIT (LIBERTY) IS STILL A NEW CONCEPT AND EXPERIENCE FOR MANY. BUT AS I SPENT ONE LESSON DISCUSSING, THEY HAVE RIGHTS AND FREEDOMS IN EUROPE, BUT ALSO DUTIES AND RESPONSIBILITIES, THE FIRST BEING TO REGULARLY ATTEND CLASS AND NOT JUST THAT, BUT TO ACTUALLY LEARN THE LANGUAGE OF THE PEOPLE WHO HAVE BENT OVER BACKWARDS TO WELCOME THEM IN.

As a teacher on the frontline, I am one of the few folk trying to guide and cajole these folk into thinking differently, to begin considering the expectations of local folk, of the people who go to work every day and pay taxes for their free lessons, accommodation, travel and healthcare.

'Integrated' has come to mean learning and accepting the German language, legal system, moral values as well as other cultural mores, particularly respect for women and gender equality. The shock of the 2015 New Year's Eve attacks where hundreds of women in cities like Cologne, Hamburg and Stuttgart were allegedly harassed and/or robbed by around 2000 foreign-born men was heightened by the inability of local police to help the victims or act against the perpetrators and the fact that it took days for details of the incidents to become public.

There was an overriding desire by authorities to prevent distrust of asylum seekers spreading as a result. Only 120 suspects have subsequently had any action taken against them at all, according to news reports from 10 July 2016.

The 71 unnamed souls who suffocated in the truck brought into Austria and the face of the three-year-old Syrian boy washed up on a Turkish beach remain symbols of suffering innocents.

The stone-hurling angry young men along reinforced EU borders reveal that other side of humanity when frustration and a sense of injustice feed in to generate violence in yet another situation of 'us-and-them'.

Such action does little to win new friends among European populations who are fearful of such large numbers of disenchanted youths who are not merely wanting, but demanding, entry and other rights from Europe as though they were EU citizens and descendants of those who over the centuries fought for the freedoms that Europe offers today.

THE DEVELOPING FEAR IS THAT IT WILL ONLY BE A MATTER OF TIME BEFORE NEWCOMERS WILL SEEK TO CHERRY-PICK FROM AMONG EUROPEAN FREEDOMS, RIGHTS AND EXPECTATIONS OF RESPONSIBILITY AS THEY SEEK TO IMPOSE NON-EUROPEAN VALUES AND BELIEFS ON THE REST OF EUROPE'S PEOPLE.

The Ottoman Empire did enough of that across the Balkans when they had the chance, after all.

For who helped Europeans out during times of hardship like the black plague? A pertinent question with respect to the history of Vienna. The 1670s saw the city ravaged by the disease to the extent that about one third of the population succumbed. Far from sending help, the Turks seized the opportunity to attack the fatigued survivors in yet another attempt to take the city and all it meant to non-Muslim Europe. Europeans have, after all, gone through hell and more to defend their homelands and their peoples, and to bring peace and prosperity to this continent.

WHY DO SO MANY HIGH-HANDED POLITICIANS AND IMPERIOUS TECHNOCRATS SEE NO POINT IN CONSULTING THEIR ELECTORATES BEFORE EMBARKING ON POLICIES WHICH WILL NOT ONLY AFFECT TODAY'S PEOPLE, BUT ALSO GENERATIONS TO COME?

'Nobody asked us!' is a cry one hears constantly – about the EU, the Euro, the refugees… Sovereignty, those same politicians like to proclaim, lies with the people. Yet, in reality, they seem to have little respect for it.

There is also far too much wishful thinking and self-deluding by the dilettantes among Germany's politicians and business community. The fact that many of the newcomers are functionally illiterate features little in their rubric-based assessments of how easily the refugees will fill the gaps in Germany's economy. They seem blind to the possibility that the newcomers may end up alleviating no more than a small fraction of the country's shortage of qualified manpower.

The fact that Europeans might be further undermining political and economic development of the countries of origin of these young people is also selfishly ignored by these 'welcoming' elements of German society.

And what of those angered by 'the system' which has no job, no place for them, even after struggling through school and training programs – whether native or newcomer?

THE PROBLEM IS THAT SUDDEN INCREASES IN POPULATIONS DUE TO INTAKES OF PEOPLE WHO CANNOT BE QUICKLY ASSIMILATED AND FEEL ISOLATED, EVENTUALLY FORMING GHETTOS AWAY FROM LOCAL SOCIETY, INEVITABLY BECOME AN ECONOMIC AND SOCIAL BURDEN FOR THEIR HOSTS.

No-go zones for police would seem to be the stuff of fantasy and yet it is a very true reality in Belgium, Sweden and Germany. Such places become hotbeds of dissent and radicalisation. Forgotten are the niceties of Europeans who once welcomed and helped these people. Indeed they rise up in anger against these very neighbours.

AND SO MORE EUROPEANS ASK, WHAT GOOD DOES MULTICULTURALISM BRING US?

940,000 of Deutschland's elderly work as 'mini-jobbers' to supplement their meagre pensions. Around 10% of locals lack functional literacy and can't perform basic arithmetic. *Gastarbeiter* (migrant workers) from the 1960s and their families continue to live in ghettos or parallel *Gesellschaften* (societies). Yet, none of that supposedly concerns the inflow of new folk, Chancellor Merkel keeps reassuring us (or perhaps herself).

Every level of government has had to own up to deficiencies in how they are trying and being made to cope. Why, after all, should school buildings for German children and homes for the elderly be turned over for renovation as accommodation for refugees?

WHY HADN'T THE GOVERNMENT WITH ITS MASS OF ELITE BUREAUCRATS AND THINK-TANKERS THOUGHT ALL THIS THROUGH BEFORE ACCEPTING THE FIRST THOUSAND REFUGEES IN 2015 WHEN THEY NOW HAVE TO RESORT TO SUCH MAKESHIFT REMEDIES AT MANY LOCAL PEOPLE'S EXPENSE?

Most of my colleagues agree that with fewer arrivals, smaller numbers and a more coordinated process, there is a real chance to help the refugees as well as enrich European society.

BUT WHAT IS TAKING PLACE IN EUROPE TODAY SHOWS EXACTLY HOW ACCEPTING SUCH BARELY MANAGEABLE NUMBERS YIELDS A PLETHORA OF UNEXPECTED PROBLEMS.

Desperation, if allowed to fester, breeds some of humanity's worst features. Extending a hand of charity leads to further expectations of continued hand-outs.

And then there are tensions which permeate a classroom where ideally all are equal and encouraged to learn and develop. A picture of these folk having left everything with nothing in the hope of something better fades with the daily reality I and others witness, where gratitude seems unknown.

OLD WOUNDS RE-OPENED

IN THE TRUE GERMAN SPIRIT OF 'EUROPE', I RECENTLY SUBMITTED AN APPLICATION FOR EU FUNDING TO PROMOTE EDUCATION AT BOTH ENDS OF THE DIVERGING SPECTRUM: TO HELP MORE NEWCOMERS TO BECOME BETTER INTEGRATED AND LESS SUSCEPTIBLE TO RADICALISING ELEMENTS, WHILE ALSO REACHING OUT TO THE GROWING NUMBERS OF DISENFRANCHISED NATIVE YOUTH WHO ARE IRRITATED BY THE POST-HIPPY STATUS QUO WHERE EVERYTHING MULTICULTURAL IS GOOD AND EVERYTHING GOOD IS HANDED TO NON-GERMANS AT THE EXPENSE OF 'REAL' GERMANS.

And it is not just the youth who are thinking that. They hear it from their parents and grandparents who wonder what is happening with this sudden intake and the government's futile attempt to cope with one million-plus foreigners.

Remember that some German families have, in the space of a hundred years, been through the Kaiser's autocracy, the ill-fated Weimar Republic with its hyperinflation and black market economy, the Nazi dictatorship with all its horrors before being thrown out of their homelands and shoved in with other German refugees in the Berlin area, only to be hounded by further dictatorship under Soviet-imposed communism.

Rather than being able to finally enjoy the glories of freedom and democracy after the fall of the Berlin Wall, many then found themselves submitting to everything forced on them by West Germans after 1989, including permanent redundancy, thanks to the West's unforgiving system. And now this! Why do all these foreigners get to fare so much better? Why is there forgiveness all over for them?

Many folk have recounted the shocking way in which they were treated following the 1990 takeover of the old Communist East. Solidarity featured little in West German minds. Many Easterners were simply done away with – thrown onto an ever-mounting scrap pile of once-valued workers. Others had to justify why they should be kept on or reassigned, while retraining to Western standards in order to get up to scratch.

NOW THE TALK IS ABOUT MAKING GERMANY'S SYSTEM *'FLEXIBLER'* TO ACCEPT WHATEVER QUALIFICATIONS THE REFUGEES CAN OFFER. NO WONDER FORMER GDR CITIZENS REMEMBER THE GOOD OLD DAYS. AND NOW?

They see people granted free money, medical help and legal representation after turning up without any papers. 'What reward is this?', they ask, after working under duress for a lifetime. Maybe they weren't the freest people, but they had work – something that is very important to Germans – and identity; in other words, security.

There were plenty of German children left orphaned, barefoot and hungry in 1918 and even more had suffered a similar fate by the time one tyranny replaced another in 1945.

West Berliners still express their thanks for the Allies' governments and pilots who enabled the 1948-49 airlift which kept the island-city alive despite Stalin's efforts to choke the population.

SADLY STALINISM LIVED ON TO BUILD AN UGLY WALL WHICH COST MORE LIVES AND LIBERTY. YET MANY OF TODAY'S NEWCOMERS CLAIM EUROPEANS HAVE NO IDEA WHAT THEY'VE BEEN THROUGH.

I try to counter this attitude by teaching about the long struggle for freedom in Europe: the many horrific wars and rebellions put down time and again.

One piece of vocabulary I provide is *Trümmerfrauen*: the women who filled the ranks of workers across post-war Germany set to do such back-breaking work as clearing roads and buildings of the mass of rubble left by bombing raids and artillery bombardments. Most of Germany's men were dead or interred, so the work was left to the women, who got on with it.

Positioned in the heart of Europe, Germany has been home to many nationalities throughout its history. As with France's Huguenots, when Roman Catholics in Bohemia threatened Hussites and other non-conformists for refusing to convert, it was Germany where many found refuge. Rixdorf in Berlin still bears signs of their time there.

I also make a point of having students make a list of prominent Jewish Germans, many of whom have bettered humanity with their contributions of work. The idea is that they realise Europe has a rich and diverse history, where making a contribution matters.

Football can act as a unifying force, given how young men from Syria, Iran and Afghanistan tell me about taking part in regular games in their 'free time'. It is a pity they don't view language the same way. Broken English would seem to suffice and cutting short lessons to head off to football training is the norm rather than the exception.

At least that is better than their taking part in another violent anti-Israel protest. One Palestinian youth proudly told me about one such event, and I spent the rest of the lesson extracting an understanding from him and others that whatever political or military situation exists back home, those problems cannot be allowed to foment new problems here in Europe.

Nor should he or anyone blanket another individual with a general hatred, just because he or she might be Jewish or of whatever other religion or ethnicity.

WHY ENOUGH IS ENOUGH

UNDERSTANDABLY, DEUTSCHLAND'S *WILLKOMMENSKULTUR* HAS WITHERED AND LARGELY DRIED UP. A LOOK THROUGH THE INTERNET REVEALS WHAT MANY FEAR MIGHT HAPPEN IF MORE POLITICIANS DON'T WAKE UP.

The officially propagated show of Potemkin-style communities managing to cope with their dictated share of displaced folk seeking peace while willing to learn and work with anyone and everyone in Europe – *i.e.* to integrate and contribute – is typical of the picture the political class seeks to promote: a picture that is desperately needed to justify their policy of acceptance, even of the thousands who deliberately destroyed their identity papers in order to better their chances in Europe.

Growing segments of local society are rising up: some quietly, fearful of being labelled racist; others feel compelled to act with a perceived need to take back what Germany's misguided technocrats have capitulated, and against the people allowed in and given the good life only to throw it back in the faces of hard-working, tax-paying Germans who fund their new paradise.

OTHER FOLK CLAIM TO KNOW BETTER AND SPEAK ABOUT BEING ON THE 'RIGHT SIDE OF HISTORY'. PERSPECTIVE, HOWEVER, COMES FROM WHERE ONE STANDS.

The *Constitutio Antoniniana* is a reminder of edicts dealt out by dictators who require no consultation (other than with their own pious wisdom) and which result in eventual disaster. Emperors rashly granting outsiders full citizenship rights merely in the hope that virtues of responsibility will trickle down into their barbarian minds in 'good time' either want to be applauded for their memorable munificence or are plain mad. For what if 'good time' fails to pass before some of those barbarians within begin sacking Rome?

Oddly, Germany's brand of politician-intellectuals appears given to dwelling on the superficial. Ever chasing race by colour, German cameramen are told to hone in on members of an audience who are obviously from an African or Asian background.

I listened to one Berliner explain how he has grown to resent being regularly asked where he is from, all because of his African father and inheritance of different hair and skin. Worse is it when the enquirer responds with an expression of surprise, even disappointment, on hearing that he comes from Berlin. Books and their covers!

Believing only positive things can come of accepting even more immigrants, the fellow said that finally, when twenty million more 'foreigners' are let in, the resulting wave will help to break down these old, outdated notions and related trappings of *the* German mentality and *the* German culture.

Suddenly the same man is not what he a few seconds earlier purported to be: German. Talk about wanting to pick and choose – and undo the rest!

I asked an African recently in Berlin as to his background. 'Do you know how often I get asked that? Do you know what it's like?' he started. 'I can guess,' I replied. 'Have you lived as a tall white guy in China or Japan?' Sometimes it is all about changing someone's way of thinking, letting them stand in your shoes, or you trying on theirs, for a change.

Individual interpretations are what impact on our daily reality. Doing the right thing remains a shared universal virtue. But for and with whom?

Priorities can take their toll. Many European women no longer feel safe walking the streets at night.

AND IT IS PRECISELY THE STREETS WHERE MANY FEAR THERE WILL BE A RETURN TO THE CONFLICT AND CHAOS BETWEEN POLITICAL EXTREMES WHICH SYMBOLIZED THE WEIMAR REPUBLIC'S PLIGHT TO SURVIVE.

WE OWE IT TO THEM TOO

ONE REASON I CAME TO GERMANY WAS TO UNDERSTAND MORE OF THE COUNTRY'S LENGTH OF HISTORY BEYOND THE INFAMOUS NAZI PERIOD.

Now I realise how extremes come to dominate a politically unstable land. The Kapp Putsch of 1920 demonstrated the Weimar Republic's problems from the beginning. Little was heard from moderates in contrast to the shouting and stomping by radicals at both ends of the political spectrum. You can read all the history books and statistics you want, but it is difficult to understand a time you never lived in.

Today, however, I am a witness to how people are feeling pulled one way or the other as time spreads out long enough, demarcated by events which help define a populace's general response to what is going on.

What *is* going on? Statistics fall short of presenting the real picture and a deficit of answers encourages, rather than dampens, fears. Despite all the talk of German scientific method and efficiency, nobody can say where the tipping point is with respect to a mass of people who belong to a minority of nationalities with very foreign belief systems.

How many of these people can settle and fit into domestic society over what spread of time before social problems like long-term unemployment and reliance on welfare lead to their becoming prime recruitees for terrorism? What load can local society take before more than the usual minority of extremists grows to incorporate more of mainstream folk disenchanted with what is happening on the ground in their local areas?

A few people speak of possible turmoil inside Germany turning into wider unrest. Even civil war. Exaggerations, I originally thought. But as time passes, there is more of this talk around.

Especially after the heart of Europe came under attack early on the 22nd of March. Then the list of words featuring disenchantment, marginalisation, disenfranchisement, frustration, racism and unemployment grew to include straight-out anger and hate.

The same day saw an announcement that an emergency meeting would be held 48 hours later. And an admission that Europe – the authorities, those with responsibility and means – had ignored radicalisation for too long. Always preoccupied with more pressing issues. More pressing than the boatloads of migrant lives landing on Lampedusa or adrift elsewhere which passed with little more than a turn of heads or shake of shoulders by Brussels' big wigs.

It is remarkable how an emergency summit can be summoned so swiftly when that same Brussels itself becomes Ground Zero. When bombs detonate and chaos explodes only miles from where the big chiefs habitually meet for a pow-wow, suddenly matters of European security *matter*.

But how can it be that super-bloc Europe, brimming with think-tanks, resources and rumours of efficiency, cannot multi-task?

Brussels on one hand preaches richness of diversity, coupled with magical rhetoric about 'solidarity', while breaching the very essence of Europe – diversity of opinion and culture – by condemning those who suddenly don't toe the line. *Whose* line, after all?

GERMANS HAVE STOMACHED IMPOSITIONS LIKE THE LOSS OF THEIR GRAND CURRENCY, THE DEUTSCHE MARK, FOR THE SAKE OF THE MASTER EUROPEAN PROJECT.

But that same Europe has done little to reach out with equal solidarity to shoulder the good burden of suffering the refugees called to Europe's heart and suckle.

Deutschland – for all her grandeur and economic prowess – stands suddenly alone, like a time in 1945. Stranded like a refugee in the middle of Europe. And Chancellor Merkel, after all her splendour of diplomatic politicking through earlier challenges, stands increasingly isolated in her own heartland.

Her Coalition partner in Bavaria is determined to stand against Berlin's lack of a federal refugee policy. Doing so has brought him support right across Germany, rather than mere slights of criticism for being a traitor to the Coalition's cause. Attempts at new policy measures have been too piecemeal and too slow coming, all despite the employment of the term *Beschleunigung* (acceleration) for the government's 'new' approach.

I can't remember a time when so many experts could talk about such a pressing issue for so long while achieving so little. TV and radio programs are full of useless commentary every hour of the day. You can't go anywhere without the topic of refugees popping up in, if not dominating, conversation.

When I recently took a class of obvious refugees – Africans, Arabs and Persians – for a tour around town, I was amazed at the reactions we got. Some German folk were quite aggressive in how they barged past us mumbling disapproval. Others passed careful perusal over us before landing a congratulatory smile on me. Some Germans think I'm a kind of mini-hero for getting on with what I get paid to do. I guess they wished they could expect the same of their sovereignty-bemoaning politicians.

Back in Berlin, realising after many end-of-school photos and hugs how I will miss more than a few of my wards of the past year, I consider again the Holocaust Memorial. How evil people then and now can get away with pulling innocent people about like livestock over unbearable distances, whether in packed Nazi railroad carriages or sealed containers today.

I don't think any like-minded survivor of the *Shoah* would hold it against me for thinking of the 71 victims found asphyxiated in the overcrowded truck which became their tomb in a part of Europe's Promised Land. As decent members of Humanity, we owe it to them to remember what they had to go through, although that should never have been the case. ■