Platinum®
CAPITAL LIMITED
ABN 51 063 975 431

Directors

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

Secretary

Malcolm Halstead

Investment Manager

Platinum Asset Management®

Shareholder Liaison

Liz Norman

Registered Office

Level 4, 55 Harrington Street
Sydney NSW 2000
Phone 1300 726 700 and (61 2) 9255 7500
0800 700 726 (New Zealand only)

Share Registrars

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

Auditors and Taxation Advisers

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

Solicitors

Allens Arthur Robinson
2 Chifley Square
Sydney NSW 2000

Stock Exchange Listing

Ordinary Shares listed on the Australian Stock Exchange Limited
Ordinary Shares ASX Code: PMC

Website

www.platinumcapital.com.au

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

2005
Annual Report

Contents

Platinum Capital Limited Pre-Tax NAV Return versus MSCI Index (%)

	1 year	3 years (compound pa)	5 years (compound pa)	Since inception (11 years) (compound pa)	Since inception (cumulative)
PCL	-1.5	6.9	12.9	16.3	429.2
MSCI*	1.6	-0.1	-6.3	6.9	108.8

Source: Platinum and Factset
* Morgan Stanley Capital International All Country World Net Index

Chairman's Report 2005

Investment Performance

"Lacklustre" perhaps best describes Platinum Capital's performance in the 12 months to 30 June 2005. During the year, the Net Asset Value decreased by 1.5% pre-tax and by 0.9% after allowing for all tax liabilities both realised and unrealised. For a comparison the benchmark Morgan Stanley Capital Index rose 1.6% for the 12 months. The Manager has reported that in essence "Analysis of the key components reveals that currencies and the weighting of the disposition of the Company's assets were the culprits".

Whilst short term results may be disappointing the long term results are more than satisfactory. Since its inception in 1994 the annualised appreciation of the Company's assets on a pre-tax basis has been 16.3% compared to the return from the MSCI of 6.9%. The comparable return from the Australian All Ordinaries Accumulation Index has been 11.3% annually over the 11 years.

Dividends

A fully franked final dividend of 10 cents is recommended, making 15 cents for the full year. Your Directors' policy of smoothing dividend payments over time continues. Shareholders will realise that this is a policy not a guarantee.

Corporate Governance – International Accounting Standards

This will be the last Annual Report prepared under Australian Accounting Standards using historical cost accounting principles. The impending application of International Accounting Standards will see the Half Yearly Report as at 31 December 2005 prepared under a "mark to market" methodology. The Annual Report to 30 June 2006, and thereafter, will be similarly prepared.

Chairman's Report 2005

CONTINUED

In Note 22 to this Annual Report we present a Profit & Loss Account and Balance Sheet that restates the 30 June 2005 Annual Report numbers in accordance with International Accounting Standards.

Shareholders' Funds (i.e. Net Asset Value) under Australian Accounting Standards is $173,404,000 and under International Accounting Standards this is increased by $12,146,000 to $185,550,000.

The 2005 post-tax profit under Australian Accounting Standards is $5,083,000 and under International Accounting Standards is restated to a loss of $2,034,000.

The obvious question to ask is why the balance sheet increases by some $12,146,000 yet the 2005 profit and loss is reduced by some $7,117,000?

The explanation is that the $12,146,000 addition represents the difference between what we paid for our investment portfolio over many years and what its market value was at 30 June 2005.

The reduction of $7,117,000 represents the difference between the market value of the portfolio at 30 June 2005 and what the same stocks' market value was just one year earlier at 30 June 2004, or for those stocks acquired during the year, their purchase cost.

Under the new International Accounting Standards recorded profits or losses will be much more variable. As changes in the market value of the Company's total assets is reflected through the profit and loss account, reported profits could look very unstable. Sometimes, let us hope, such erratic movements will be upwards rather than downwards.

It is, however, now more true than ever that the longer-term movement of asset values, combined with the flow of dividends, is a better measure of the performance of a listed investment company, such as Platinum Capital, than necessarily more volatile day-by-day, quarter-by-quarter or even year-by-year fluctuations.

The Company's Corporate Governance Statement can be found in the body of the Annual Report.

Outlook for 2005 – 2006

The Manager reports that "Company profits are at historically high levels and further advances are already reflected in current share prices. Valuations are reasonable rather than low and medium term growth is uncertain". The Manager is watching, with interest, the behaviour of UK consumers to give some hint of the delayed effects of higher interest rates and also observes that the gold price in currencies other than the US dollar is beginning to break upwards after many years of relative neglect. As for the companies owned by Platinum Capital, the Manager is confident of their earnings prospects with surprises more likely to be pleasant than sullen.

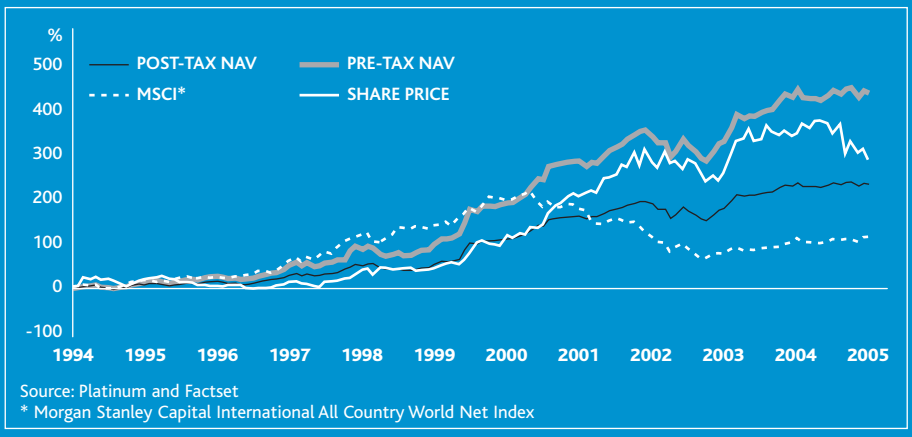
Finally

This is a time for reflection, deep analysis and considered decision making where investments, and I guess most other aspects of life are concerned. In this context I do recommend a close reading of the Manager's report. Despite the disappointment of under performance during the year there is an underlying optimism based on a depth of analysis and intellectual rigour.

Once again I would like to express my appreciation of the efforts of the Manager along with those of my fellow Directors.

Graeme Galt Chairman

PCL NAV (pre and post-tax), Share Price versus MSCI Index (cumulative return since inception)



Source: Platinum and Factset
* Morgan Stanley Capital International All Country World Net Index

Investment Manager's Report

Performance

Our performance over the 12 months has been below par. Analysis of the key components reveals that currencies and the weighting of the disposition of the Company's assets were the culprits.

In each of the principal geographic areas performance in native currencies has been average to good except for two exceptions, the US where we underperformed a flattish market by about 2% and developing Asia where our Indian and Korean holdings outperformed the region by a massive margin. This, however, is where relative weightings play a part. Approximately a third of the Company's assets were deployed in each of Europe and Japan, which respectively rose by about 13% and fell by about 2%. In North America we had about 16% invested long but in India and Korea combined only 12% on average. Short selling of stocks and indices in positive markets was costly, sapping performance by about 3%, but shorting in a rising market is the cost of insurance. The outcome in native currencies was in aggregate acceptable but as the Net Asset Value is calculated in A$, which rose as shown in the table over, the A$ return (pre-tax) was negative at 1.5% for the year and 2.1% for the quarter.

That it would have been better to have more exposure to India and Korea is evident but in view of the relative size of these markets that was, unfortunately, not realistic. The high exposure to Japan, which was the weakest large market, was in keeping with our contrarian bias. Moreover it was supported by both our mechanistic and qualitative work which suggests that Japan was and remains the most attractive of the large equity markets.

Not hedging back into A$ from yen and euro was indubitably our largest error. This decision was tinged by concerns of national foreign borrowings which remains a problem. Our principal hedge was out of the US$ into the A$, though this position was relatively modest and was reduced as the A$ rose.

Investment Manager's Report

CONTINUED

Currency Change versus A$

	Year to 30 June 2005
South Korean won	2.4%
Canadian dollar	-0.2%
Taiwanese dollar	-2.0%
Singapore dollar	-6.6%
US dollar	-8.3%
Euro	-9.0%
British pound	-9.7%
Japanese yen	-10.0%
Swiss franc	-10.6%

Source: Bloomberg

Taking a deeper look into the stocks held is helpful. Here we find that shares held in information technology (IT) companies such as Infineon, Maxtor, Sun Microsystems, Foundry and NEC, all incurred large losses, as did telco holdings such as Alcatel, NTT and NTT DoCoMo. Big winners were mainly in the energy sector such as Royal Dutch (Shell), Mitsubishi Corp and JGC.

This pattern largely corresponds with the MSCI global industry performance, see table below, which shows that energy and materials led the field, accompanied by interest sensitives like utilities. The laggards were IT and consumer staples.

MSCI* World Index Industry Performance (local, to 30 June 2005)

Sectors	Quarter	1 year
Energy	6.2%	33.9%
Utilities	7.9%	26.9%
Materials	-3.4%	12.1%
Financials	3.1%	9.7%
Telecommunications	0.7%	8.9%
Industrials	-0.9%	8.6%
Health Care	5.9%	6.0%
Consumer Discretionary	0.1%	4.3%
Consumer Staples	0.6%	4.0%
Information Technology	2.6%	-3.6%

Source: Bloomberg
* Morgan Stanley Capital International All Country

The following Net Asset Value figures (cents per share) are after provision for tax on both realised and unrealised income and gains.

30 April 2005	31 May 2005	30 June 2005
155.02	157.87	156.95

Source: Platinum

Currency

As noted previously our currency management of late has been defective. The position at present is as follows:

Major Currency Exposures

	June 2005
Japanese yen	38%
Europe – euro	20%
Australian dollar	15%
US dollar	8%
South Korean won	6%
Europe – Other (British pound, Swiss franc, Norwegian krone)	5%

Source: Platinum

Should the A$ weakness seen since the beginning of July persist, we may hedge back into it, even though our earlier concerns have not been assuaged.

Shorting

We have been gradually reducing our shorts on the US regional banks and financials as they have reduced their interest rate carry trades and hence lowered their financial risk profile. The hottest game in town is now housing and we are completing a detailed review of this sector in a hunt for significantly overvalued companies where we might open new short positions.

Changes to the Portfolio

Geographical Disposition of Platinum Assets

Region	Jun 2005	Mar 2005
Western Europe	31%	31%
Japan	31%	28%
North America	18%	18%
Emerging Markets (including Korea)	12%	13%
Cash	8%	10%
Shorts	33%	32%

Source: Platinum

Rather than going through all the changes made during the year, many of which have been discussed in previous quarterly reports, we summarised below the main changes during the fourth quarter. The more significant movements were increases in our holdings in Citizen Watch, Nintendo, Canon, NTPC (power generator in India) and Infineon (DRAM and other semiconductors). At the same time we took advantage of strong energy prices to trim Royal Dutch (Shell), Reliance Industries (as the family squabble regarding control was resolved), and sold TransOcean (oil rig owner). We are almost out of Merck (liquid crystal supplies and drugs) and we declared defeat to our theory that a boom in hard drives would benefit Maxtor.

Later in the report we refer to a group of Japanese companies that are conspicuous for having grown profits through this past 14 years of economic sloth and/or display abnormal profitability and consequently are cash rich. Nintendo, Canon and Citizen fall into this group although in each case there is a cloud shadowing their immediate prospects.

In the case of Canon, margins are at historically high levels and there is evidence that digital camera sales growth is slowing, while in some parts of the copier and printer market, competition is intensifying. These doubts, together with the company's failure to match ASML in current generation steppers, is causing the share to trade at historically low valuations. On the positive side, one can argue that this is not the first time there have been issues with delayed product releases, while among other things the impending boom in low cost colour printers, a market that Canon dominates, will provide plenty of margin protection.

The concerns weighing on Nintendo relate to the size and supposed superior technical sophistication of Sony and Microsoft in the provision of platforms for video games. Without engaging in all the esoteria of this massive industry, which in revenues exceeds the movie market (!) we have concluded that among the game platform suppliers, Nintendo is fully competitive. It is, however, targeting a younger segment of the market. Its Game Cube sales have trailed off in anticipation of the forthcoming "Revolution", but the release of product will not be late. We suspect that it will have all the relevant features sought by its target market and the only issue outstanding is the speed at which it can produce game software (content). In the meantime, sales of its portable dual screen device are doing well and there could be some game surprises.

The share price of Citizen Watch was recently punished when it announced a buy-in of its listed subsidiaries. The increase in shares outstanding implied by this was treated by the market as a take-over defensive tactic in an environment that has become unduly sensitive to such machinations. We did not accept this interpretation.

Breakdown of Platinum's Long Investments by Industry

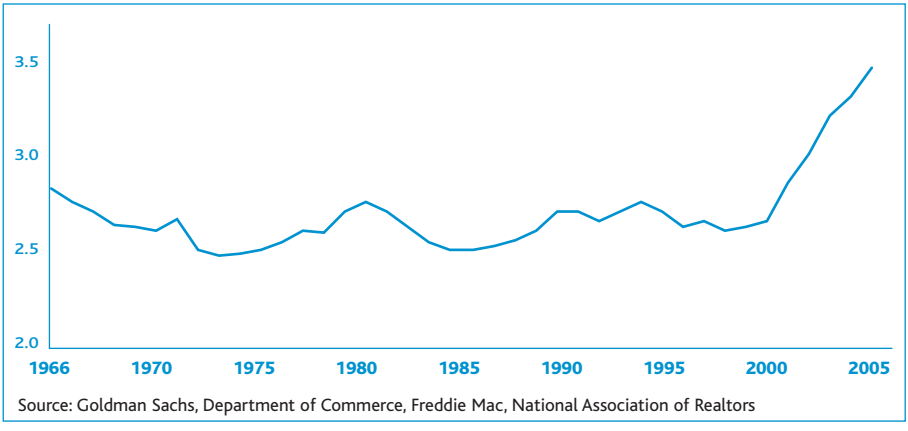
Categories	Examples of Stocks	Jun 2005	Mar 2005
Cyclicals/Manufacturing	Toyota Motor, Schindler, Siemens, Linde, Océ	29%	27%
Financials	Credit Agricole, Mitsubishi Tokyo Financial, Mitsui Sumitomo Insurance	14%	15%
Technology/Hardware	Agere, Infineon Tech, Samsung, AMD, Sun Microsystems	11%	7%
Retail/Services/Logistics	Carrefour, Deutsche Post, Hornbach, Mitsubishi Corp	10%	9%
Consumer Brands	Henkel, Adidas Salomon, Lotte	8%	8%
Software/Media	Seoul Broadcasting, News Corp	6%	6%
Gold and Other Resources	Shell, Barrick Gold, Newmont Mining, Noranda	5%	6%
Telecoms	Alcatel, NTT Docomo	5%	5%
Medical	Takeda, Schering, Merck KGaA, GlaxoSmithKline	4%	7%

Source: Platinum

Commentary

As we pull out the retrospectascope® to examine our errors, we see that for the last year or so, the best single decision would have been to bank entirely on interest sensitive plays around the world. This would have meant buying direct beneficiaries like utilities, toll road operators and REITs (Real Estate Investment Trusts) and indirect beneficiaries such as retailers and housing developers. As is mostly the case when applying the scope, we would not have credited at base date that a run-away oil price and strong commodity prices could be compatible with this *ex post* outcome. Far from damaging expenditure the oil price rise was accompanied by aggressive recycling of trade surpluses back into the debt markets and by an accommodative Federal reserve in the US, which raised short rates only tentatively. The contrasting behaviour of the various Central Banks thus contributed to the hunt for yield and may explain the strange downward rating of quality companies that has been evident for some time now.

US House Prices Ratio to median family income



Source: Goldman Sachs, Department of Commerce, Freddie Mac, National Association of Realtors

The US housing boom, which is now getting front page treatment from many high quality magazines, is, we believe, a late-stage phenomenon. US equities have been disappointing and with interest rates at such low levels as to discourage saving, it is easy for speculators to exaggerate the case for housing. Participants in the property merry-go round in the Netherlands, the UK and Australia have joined in the

fun. Americans have, however, been particularly active in treating their homes as some sort of wondrous (and tax affective) ATM for cashing out their rising "equity". With this in mind, and taking account of the sluggardly lifting of interest rates in the US, we suspect that although the dire warnings being trumpeted about the property market are probably too early, the cycle will nevertheless end in the same deflating manner that we are witnessing elsewhere. The behaviour of the shares of house builders could anticipate this change in trend. (That price falls are less evident in the super luxury category is totally consistent with the widening wealth disparity and the flow-on effect of the vogue for financial engineering.)

In China something like 40% of available resources has been directed to fixed investment which is over twice that employed in so-called developed countries. This has already led to very low levels of profit on the mainland in certain industries and may drag down foreign company profits as surpluses appear on international markets (eg. steel, aluminium and even cars). More interesting, though, is China's desire to secure long term supplies eg. Unocal for $US18.5 billion in cash, and to move up the supply chain to control distribution and to own brands eg. IBM's PC business. Depending on the level of this activity, this could have interesting implications as recycled current account surpluses are applied to real assets rather than nominal obligations such as US treasuries. Either way, there are important political implications.

Chinese and US Resources (Millions of Tonnes)

	China 2005E	US 2003A
Coal Production	2,077	1,083
Aluminium Production	7.4	5.7
Copper Consumption	3.6	2.5
Cement Production	1,148	112
Steel Production Capacity	340	110
Oil Consumption	306	1,042
Electricity Generation Capacity (GW)	506	751

Source: China Building Materials Association, Antaike, CSFB, ML, IEA, MS, Cemex

Over-investment, official policy intervention, diminishing profitability and some tightening in the labour market, portend a gradual slowing of China's growth rate over the next eighteen months. As an interesting aside to the spreading wealth

effect in China, there are now apparently 100 million internet users – largely by way of internet cafés/booths. We hear, interestingly that one of the reasons labour is conspicuously tight in specific industries is that rural workers are using on-line access to search for information regarding conditions and pay when seeking employment. Improved transparency is also facilitating a fairer treatment of the rural population who can visit official sites to check on taxes and entitlements.

As to the other emerging giant, India, the outlook stays very positive. On the political front it is encouraging that the Federal Parliament passed legislation to promote the establishment of Special Economic Zones through tax incentives. Sadly, the left wing faction obstructed the clause concerning labour law modification but to combat this difficulty, the progressive States are delegating administrative powers to development commissioners. We suspect that the success of the prosperous reform-minded States will gradually ripple across to their more recalcitrant neighbours. Foreign investment is still modest at around $4 billion pa (a trivial 7% of flows into China) and we believe the economy is still in the early years of a credit-funded consumer boom. Bank credit between 1992 and 1999 hovered between 18% and 22% of GNP and is now on an upward trend at 34%. This is still an extremely modest level compared with its Asian neighbours of typically 80% and as high as 130% in China.

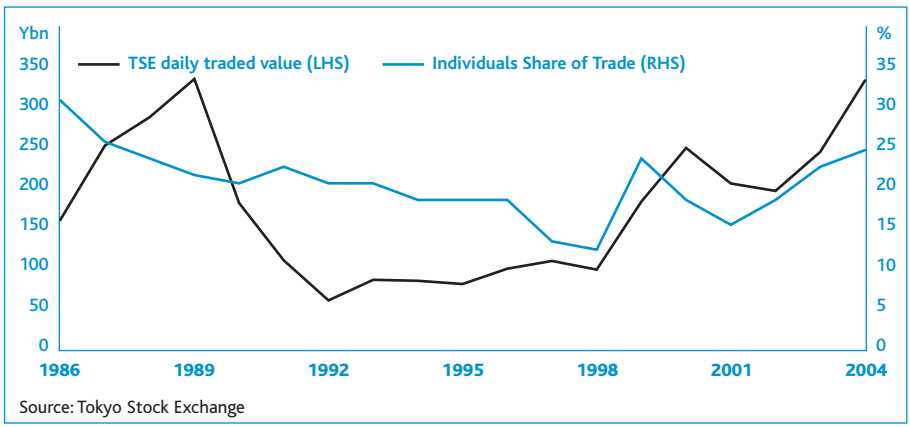
Some of our investors have trouble understanding our love affair with Japanese companies. They point to the sluggish economy and to share valuations the same or slightly lower than the US and generally higher than in Europe. Our response is that this frames the question too narrowly; insufficient weight is being given to the emphasis that quality Japanese companies place on strategic positioning, their commitment to product development and their remarkable profitability. This latter point is often masked by the high cash balances some companies have gathered, on which they obviously earn a pittance. We believe this "balance sheet inefficiency" is a hang-over from earlier, highly-regulated times which will progressively be corrected.

Even before the new threat of corporate raiders in Japan and with cross-holdings having been significantly reduced, companies had begun to specify higher dividend payout ratios, typically 30% of earnings, and have been cautiously engaging in share buy-backs. We believe this gives a category of "superior Japanese company" an unusually strong underpinning. Not only are they typically yielding twice as much

as JGBs (Government bonds), but if their cash and investment holdings are netted off from their stock market values, they are on PEs varying, typically, between 8 and 15. This may not satisfy the sceptics except for the fact that in this last 14 years of low economic growth and falling output prices this group of companies has achieved earnings growth of 6 to 7% a year in terms of yen, a relatively strong currency.

With evidence of returning confidence among Japanese investors, as demonstrated by rising share trading volume by individual investors, the enthusiasm for REITs, high dividend funds and foreign investment funds, we can see the time when these companies will be more highly valued so as to reflect their intrinsic worth and their superior business economics.

Tokyo Stock Exchange Daily Traded Value



Source: Tokyo Stock Exchange

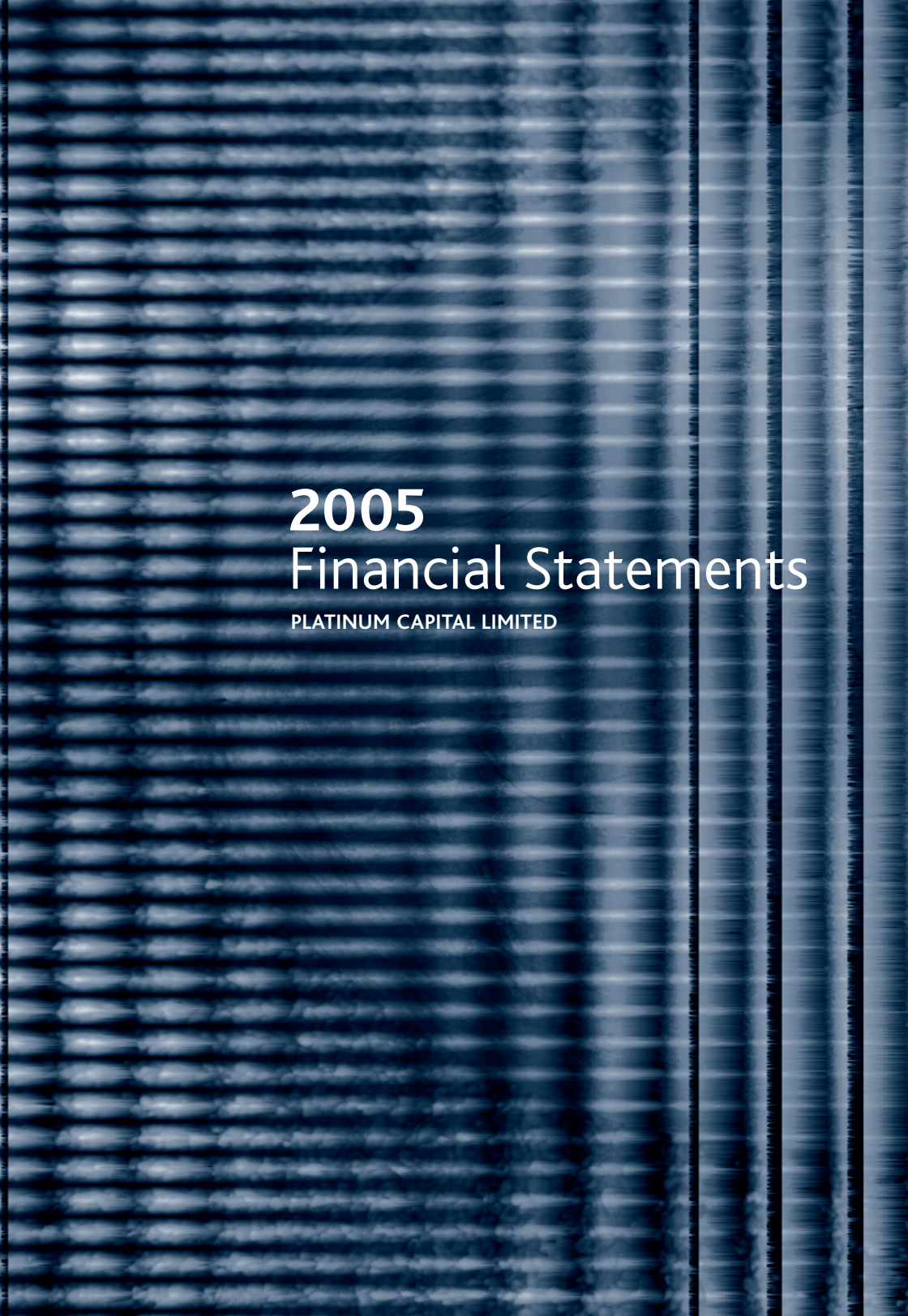
In Europe we are pursuing our usual share-targeting approach. Even during the last few years of dull growth good companies have exploited market opportunities in Eastern Europe and elsewhere and their share prices have reflected this. The general outlook remains murky but profitability across the board is at record levels and restructuring remains the focus. The issue now for Europe relates to the precise role of the European parliament. Will the new roadmap persist with the French vision of integration or will a more federalist model be chosen?

Outlook

Company profits are at historically high levels and further advances are already reflected in current share prices. Valuations are reasonable rather than low and medium term growth is uncertain. We are watching with interest the behaviour of UK consumers to give us some hint of the delayed effects of higher interest rates. We are also monitoring the gold price in currencies other than the US$ and observe that it is beginning to break upwards after many years of relative neglect. This at a time when there are many bond aficionados perhaps believing inflation is vanquished … we wonder!

In terms of the companies that the Company owns, we are generally confident that their earnings prospects are intact and should the US$ remain where it is against the yen and euro, earnings may pleasantly surprise. This would give several sullen and indolent holdings a positive jolt.

Kerr Neilson Managing Director



2005
Financial Statements

PLATINUM CAPITAL LIMITED

Shareholder Information

Substantial Shareholders

No shareholders appeared in the Company's Register of Substantial Shareholders, prepared in accordance with section 671B of the Corporations Act 2001, as at 2 August 2005.

Distribution of Securities

	Class of equity security
(i) Distribution schedule of holdings	Ordinary
1 – 1,000	948
1,001 – 5,000	4,972
5,001 – 10,000	3,143
10,001 – 100,000	2,812
100,001 and over	49
Total number of holders	11,924
(ii) Number of holders of less than a marketable parcel	212
(iii) Percentage held by the 20 largest holders	9.85%

Twenty Largest Shareholders

The names of the twenty largest holders of each class of equity securities as at 2 August 2005 are listed below:

	Number of Shares	%
RBC Global Services Australia Nominees Pty Limited	1,518,493	1.28
Questor Financial Services Limited	1,169,885	0.98
Cox Bros Coffs Harbour Pty Limited	1,000,000	0.84
Forbar Custodians Limited	990,160	0.83
UBS Private Clients Australia Nominees Pty Limited	931,997	0.78
Australian Executor Trustees Limited	585,316	0.49
Custodial Services Limited	528,356	0.44
Feboco Investments Pty Limited	522,088	0.44
Dr Russell Kay Hancock	515,129	0.43
Frank Hadley Pty Limited	505,159	0.43
National Nominees Limited	503,465	0.42
Austair Pilots MBF Nominee Co Pty Limited	500,000	0.42
JP Morgan Nominees Australia Limited	498,385	0.42
NIZIN Holdings Pty Limited	350,000	0.29
Questor Financial Services Limited	344,492	0.29
Queens Hill Pty Limited	324,019	0.27
LAL Corporation Pty Limited	260,527	0.22
RBC Global Services Australia Nominees Pty Limited	244,436	0.21
KPT Pty Limited	226,278	0.19
ANZ Nominees Limited	219,817	0.18

Voting Rights

Ordinary Shares:

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

Financial Calendar	
Annual General Meeting	28 October 2005
Ordinary Shares trade Ex-Dividend	31 October 2005
Record (books close) date for Final dividend	4 November 2005
Final dividend paid	18 November 2005

These dates are indicative and may be changed.

Directors' Report

In respect of the year ended 30 June 2005 the Directors of Platinum Capital Limited (the Company) submit the following report made out in accordance with a resolution of the Directors.

Directors

The following persons were directors of the Company during the whole year and up to the date of this report.

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

Principal Activity

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

Trading Results

The net profit of the Company for the year was $5,083,000 (2004: $19,147,000) after income tax expense of $3,028,000 (2004: income tax benefit $1,655,000).

Dividends

Since the end of the financial year, the Directors have recommended the payment of a 10 cents per share ($11,883,000) fully franked dividend payable to Shareholders on 18 November 2005.

A fully franked interim dividend of 5 cents per share ($5,894,000) was paid on 4 March 2005.

A fully franked final dividend of 10 cents per share ($11,626,000) for the year ended 30 June 2004 was paid on 12 November 2004.

Review of Operations

The operating profit before tax was $8,111,000 (2004: $17,492,000) and a profit of $5,083,000 (2004: $19,147,000) after tax. Income tax expense for the year was $3,028,000 (2004: income tax benefit $1,655,000).

Changes in the State of Affairs

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

Events Subsequent to the End of the Financial Year

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

Likely Developments

The Company will continue to pursue its investment objectives so as to increase the net asset value of the Company.

Rounding Off of Amounts

The Company is of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/0100, and consequently amounts in the financial report have been rounded off to the nearest thousand dollars.

Environmental Regulation

The Company is not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory Law.

Auditor

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

Non-Audit Services

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

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

Non-Audit Services (continued)

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 27.

	2005 $	2004 $
Audit services – statutory	56,800	47,200
Taxation services – compliance	42,417	36,871
Advisory services – GST	12,200	–
Advisory services – AASB	9,803	4,360
Total remuneration	121,220	88,431

Information on Directors

Graeme Galt MBA, BCom, FAICD

Independent Non-Executive Director and Chairman for two years and member of the Audit Committee. (Age 65)

Mr Galt has extensive experience in senior line and staff roles, and in consulting positions across a wide range of industries and markets. He has been a Director of and Adviser to DHL International (Aust) Pty Limited since 1991, is a Director of Asian Express Airlines Pty Limited and Principal of Templeton Galt.

Peter Clarke BSc(Econ)

Independent Non-Executive Director and Chairman of the Audit Committee. (Age 69)

Mr Clarke brings to the Board over 30 years' experience in the Investment Management business. Until 1987 he held various directorships in the UK and was Managing Director of a stockbroking firm. Other directorships include Canning Energy Limited since 1987 and Climax Mining Limited since1992.

Bruce Coleman BSc, BCom, CA

Independent Non-Executive Director and member of the Audit Committee. (Age 55)

Mr Coleman has worked in the Finance and Investment industry since 1986. He was the CEO of MLC Investment Management from 1996 to 2004. He has held various directorships within MLC Limited, Lend Lease and the National Australia Banking group. Former Director of MLC Limited from 2001 to 2004.

Kerr Neilson BCom, ASIP

Managing Director for 11 years. (Age 55)

Relevant interest in 324,020 shares in the Company.

Appointed as Managing Director upon incorporation. He is the Managing Director of Platinum Asset Management® Limited (Platinum Asset Management) the Company's Investment Manager. Prior to Platinum Asset Management, he was an Executive Vice President at Bankers Trust Australia Limited. Previously he worked in both the UK and South Africa as an investment analyst and fund manager.

Andrew Clifford BCom(Hons), ASIA

Director for 11 years. (Age 39)

Relevant interest in 81,004 shares in the Company.

Appointed a Director of the Company upon incorporation. He is a Director of Platinum Asset Management, the Company's Investment Manager. Prior to Platinum Asset Management, Mr Clifford was a Vice President at Bankers Trust Australia Limited.

Malcolm Halstead ACA

Finance Director and Company Secretary for 11 years. (Age 47)

Relevant interest in 64,804 shares in the Company.

Appointed a Director of the Company upon incorporation. He is a Director of Platinum Asset Management, the Company's Investment Manager. Prior to Platinum Asset Management, Mr Halstead was a Vice President at Bankers Trust Australia Limited. Previously he was with Price Waterhouse, Sydney and Jolliffe Cork, London.

Directors' Report

Directors' Meetings

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2005 and attended by each Director.

	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
	while a Director		while a member	
G Galt	6	5	3	3
P Clarke	6	5	3	3
B Coleman	6	5	3	3
K Neilson	6	4	–	–
A Clifford	6	6	–	–
M Halstead	6	6	3	3

Remuneration Report

Principles used to determine the nature and amount of remuneration

The Executive Directors review and determine the remuneration of the Non-Executive Directors and may utilise the services of external advisers. It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Non-Executive Directors. The remuneration of the Directors is not linked to the performance of the Company.

Directors' fees

Non-Executive Directors' base remuneration is reviewed annually.

Retirement benefits for Directors

No retirement benefits are provided to Directors.

Other benefits and incentives

No other benefits and incentives are paid to Directors.

Details of Remuneration

The Executive Directors (K Neilson, A Clifford and M Halstead) are employees of the Investment Manager, Platinum Asset Management, and are not remunerated by the Company. The Non-Executive Directors received the following amounts from the Company during the financial year:

Name	Primary Salary $	Post-employment Superannuation $	Total $
G Galt	55,000	4,950	59,950
P Clarke	50,000	4,500	54,500
B Coleman	50,000	4,500	54,500
Total remuneration	155,000	13,950	168,950

The Executive Directors (K Neilson, A Clifford and M Halstead) are employees of the Investment Manager, Platinum Asset Management, and are not remunerated by the Company. Accounting Standard 1046 requires remuneration made available indirectly to Directors by personally-related entities be disclosed. Platinum Asset Management is a personally-related entity of the three Executive Directors. The standard deems some portion of the remuneration paid by Platinum Asset Management to its employees to be in relation to managing the affairs of this Company. Platinum Asset Management has not made any determination as to what proportion of its employees' remuneration relates to this Company. Platinum Asset Management paid: K Neilson a salary of $250,000 (2004: $200,000) and superannuation of $11,584 (2004: $11,002); A Clifford a salary of $200,000 (2004: $170,000), a bonus of nil (2004: $200,000) and superannuation of $11,584 (2004: $11,002); M Halstead a salary of $200,000 (2004: $170,000), a bonus of nil (2004: $200,000) and superannuation of $11,584 (2004: $11,002).

Service Agreements

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

Graeme W Galt, Chairman and Non-Executive Director

- Commenced on 25 July 2002.
- No term of agreement has been set unless the Director is not re-elected by Shareholders of the Company.
- Base salary, inclusive of superannuation, for the year ended 30 June 2005 of $59,950.

Directors' Report

Peter W Clarke, Non-Executive Director

- Commenced on 15 April 1999.
- No term of agreement has been set unless the Director is not re-elected by Shareholders of the Company.
- Base salary, inclusive of superannuation, for the year ended 30 June 2005 of $54,500.

Bruce Coleman, Non-Executive Director

- Commenced on 10 June 2004.
- No term of agreement has been set unless the Director is not re-elected by Shareholders of the Company.
- Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $54,500.

Share Base Compensation

No shares or options are granted to Directors.

Directors' Interests in Contracts

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

Directors' Insurance

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

Executives

The Company has no employees or executives other than the Directors.

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

Graeme Galt
Director

Kerr Neilson
Director

Sydney
8 August 2005

Auditors' Independence Declaration

As lead auditor for the audit of Platinum Capital Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Platinum Capital Limited during the period.

AJ Loveridge
Partner
PricewaterhouseCoopers

Sydney
8 August 2005

Liability is limited by the Accountants Scheme under the Professional Standards Act 1994 (NSW).

Corporate Governance Statement

The Company is a listed investment company. Its shares are traded on the Australian Stock Exchange (ASX).

The objective of the Company is to seek long term capital growth through utilising the skills of the Investment Manager, Platinum Asset Management Limited ABN 25 065 565 006 AFSL 221935 (Platinum Asset Management).

Other than its Directors, the Company has no employees. It has no premises, plant or equipment or other physical assets. The Company's day-to-day affairs and the investment of its funds are managed by Platinum Asset Management in accordance with a Management Agreement.

It is the responsibility of the Directors to ensure that Platinum Asset Management is performing its duties in a skilful and diligent manner, that it employs qualified and experienced staff and that it operates appropriate risk monitoring and compliance procedures.

The Company's main corporate governance practices are set out below and, unless otherwise stated, were in place for the entire year.

The Company has followed the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, except where indicated.

The Board of Directors

The Board operates in accordance with its Charter, which is available on the Company's website: www.platinumcapital.com.au. The Charter covers the following:

Board Composition

- The Board comprises an equal number of executive and independent Non-Executive Directors. Whilst a majority of Non-Executive Directors is recommended by the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, the Board has determined that equal representation is appropriate given the size of the Company and its specialised nature.
- The Chairman is an independent Non-Executive Director.
- The Board undertakes an annual performance review and considers the appropriate mix of skills required to ensure its effectiveness.

Responsibilities

- Overseeing and monitoring Platinum Asset Management's compliance with the Investment Management Agreement.
- Monitoring financial performance including approval of statutory financial reports and liaison with the Company's Auditors.

– Identifying, controlling and monitoring significant risks faced by the Company including those associated with its compliance obligations and ensuring appropriate reporting mechanisms are in place.

Board Members

The Board aims to ensure that:

– its members have an appropriate balance between those with investment management experience and those with an alternative perspective; and

– the size of the Board is conducive to effective discussion and efficient decision making.

Directors' details are set out in the Directors' Report.

Directors' Independence

A Director is independent if he or she:

– is not a substantial Shareholder of the Company or an officer of, or otherwise associated directly with, a substantial Shareholder of the Company;

– has not been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment within the last three years;

– is not a principal of a material professional adviser to the Company, or an employee materially associated with the service provider within the last three years;

– is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

– has no material contractual relationship with the Company other than as a Director of the Company;

– has not been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and

– is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality is judged on both a quantitative and qualitative basis. An amount of over 0.5% of the Company's turnover is considered material for these purposes. In addition, a transaction of any amount or relationship is deemed material if knowledge of it impacts the Shareholders' understanding of the Director's performance.

Corporate Governance Statement

The Board of Directors (continued)

Term of Office

The Company's Constitution specifies that all Directors, other than the Managing Director, must retire from office no later than the third Annual General Meeting (AGM) following their last election and that one-third of the Directors are to retire from office at each AGM. Where eligible, a Director may stand for re-election.

Chairman and Managing Director – Division of Function

The Chairman is responsible for leading the Board, ensuring that the Board activities are organised and efficiently conducted and for ensuring Directors are properly briefed for meetings. The Managing Director is responsible for ensuring that Platinum Asset Management complies with the Investment Management contract. The policy of the Board is not to have the same person as Chairman and Managing Director.

Commitment

The number of meetings held and attended by each Director is disclosed in the Directors' Report.

Non-Company related commitments of the Non-Executive Directors are considered by the Board prior to each Director's appointment and are reviewed as part of the annual performance review.

Independent Professional Advice

Directors may seek independent professional advice at the Company's expense, after first notifying the Board. The Board will review the estimated costs for reasonableness, but will not impede the seeking of advice.

Annual Performance Assessment

The Board undertakes an annual self-assessment of its collective performance. Independent professional advice may be sought.

Executive Directors are not remunerated by the Company.

Executive Directors review and determine the remuneration of the Non-Executive Directors. Independent professional advice may be sought. The Board remunerates at market rates commensurate with the responsibilities borne by the Non-Executive Directors. Directors' fees are disclosed in the financial statements.

Corporate Reporting

In respect of the year ended 30 June 2005 the Managing Director and Finance Director have made the following certifications to the Board:

- the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001 (*Act*);
- the financial statements, and notes referred to in paragraph 295(3)(b) of the Act, for the financial year comply with the accounting standards;
- the financial statements and notes for the financial year give a true and fair view (as per section 297 of the Act);
- any other matters that are prescribed by the Corporations Regulations in relation to the financial statements and the notes for the financial year are satisfied;
- the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Board Committees

Whilst nomination and remuneration committees are recommended by the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, the Board has determined neither is necessary for the Company given its size and specialised nature. The Board deals with all matters that would otherwise be dealt with by such committees. Independent professional advice may be sought.

Corporate Governance Statement

Audit Committee

The Audit Committee consists of three Independent Non-Executive Directors, namely:

Peter Clarke	(Chairman)
Graeme Galt	(Independent Non-Executive Director)
Bruce Coleman	(Independent Non-Executive Director)

Details of Directors' qualifications and experience are set out in the Directors' Report. The Audit Committee has appropriate financial expertise.

The Audit Committee operates in accordance with a Charter which is available on the Company's website. Its main responsibilities to the Board include:

- recommending the appointment of the external auditor and the audit fee;
- ensuring that the external auditor is competent and independent;
- ensuring that the external auditor has full access to information and that no unacceptable management or other restrictions are placed on it;
- reviewing the draft half-yearly and year-end financial statements prior to recommending their adoption by the Board;
- monitoring the Company's compliance with its statutory obligations;
- reviewing and monitoring the adequacy of management information and internal control systems; and
- ensuring that any query from Shareholders relating to such matters is dealt with expeditiously.

The performance of the Audit Committee is reviewed annually by the Board.

External Auditors

The Board appoints external auditors who demonstrate quality and independence. PricewaterhouseCoopers were appointed as the external Auditors in 1994.

PricewaterhouseCoopers rotate audit partners engaged on listed companies' audits at least every five years. PricewaterhouseCoopers provide an annual declaration of their independence to the Audit Committee.

The performance of the external auditor is reviewed annually by the Audit Committee.

Risk Assessment and Management

The Board ensures there are adequate policies in relation to risk oversight and management and internal control systems. The Company's policies are designed to ensure operational, legal and financial risks are identified, assessed, addressed and monitored.

A summary of these policies is available on the Company's website.

Code of Conduct

The Board has adopted a Code of Conduct (the Code) which is based upon the Australian Institute of Company Directors' Code of Conduct.

In summary, the Code requires that at all times the Directors act with the utmost integrity, objectivity and in compliance with the law and the Company's policies.

The purchase and sale of shares in the Company by Directors is only permitted during a period of five business days following the release of the monthly net asset value appearing in the Australian Financial Review. Additional blackout periods are enforced as necessary (e.g. during an on-market buy-back of shares on issue). Any and all changes to Directors' shareholdings are reported to the ASX.

Platinum Asset Management imposes the same rules on itself and its employees.

Copies of the Code and the Company's trading policy are available on the Company's website.

Continuous Disclosure and Shareholder Communication

The Company Secretary is responsible for communications with the ASX. The role includes ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, Shareholders, the media and the public.

Shareholders receive a copy of the Company's annual report together with a quarterly investment report from Platinum Asset Management.

The external auditor attends the AGM to answer any Shareholder questions in relation to the annual audit and preparation and content of the Auditor's Report.

A summary of the Company's continuous disclosure policy and communications plan is available on the Company's website.

Statement of Financial Performance

YEAR ENDED 30 JUNE 2005

	Notes	2005 $'000	2004 $'000
Revenue from ordinary activities			
Dividends		3,093	2,591
Interest		237	170
Net realised gains/(losses) on sale of equities/derivatives		8,785	(7,835)
Net realised gains/(losses) on currency hedging transactions		3,057	15,575
Net unrealised gains/(losses) on revaluation of monetary items		1,689	(9,738)
Reversal of prior period's provision for permanent diminution in the value of investments		3,336	24,461
Provision for permanent diminution in the value of investments		(6,551)	(3,336)
Net realised gains/(losses) on overseas bank accounts		(1,155)	(34)
Total revenue from ordinary activities		12,491	21,854
Expenses			
Management fee		2,903	3,078
Custody		201	235
Share registry		209	231
Directors' fees		169	118
Continuous reporting disclosure		109	126
Auditor's remuneration			
– Auditing and review ($56,800, 2004: $47,200)		57	47
– Taxation services ($42,417, 2004: $36,871)		42	37
– Advisory services ($22,003, 2004: $4,360)		22	4
Withholding tax on foreign dividends		243	215
Other expenses		425	271
Total expenses		4,380	4,362
Profit/(loss) from ordinary activities before related income tax expense		8,111	17,492
Income tax expense/(benefit)	2	3,028	(1,655)
Profit/(loss) from ordinary activities after related income tax expense	8	5,083	19,147
Basic earnings per share (cents per share)	7	4.32	16.63
Diluted earnings per share (cents per share)	7	4.32	16.63

The Statement of Financial Performance should be read in conjunction with the accompanying notes.

Statement of Financial Position

YEAR ENDED 30 JUNE 2005

	Notes	2005 $'000	2004 $'000
Investments	1(c), 3	175,259	180,543
Current Assets			
Cash at bank	9(a)	247	228
Receivables	4	689	583
Income tax receivable		–	914
Deferred tax assets		131	629
Total Current Assets		1,067	2,354
Total Assets		176,326	182,897
Current Liabilities			
Payables	5	778	1,881
Income tax payable		1,722	–
Deferred tax liabilities		422	601
Total Current Liabilities		2,922	2,482
Net Assets		173,404	180,415
Equity			
Contributed equity	6	132,253	126,827
Retained profits	8	41,151	53,588
Total Equity		173,404	180,415

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

YEAR ENDED 30 JUNE 2005

	Notes	2005 $'000 Inflows (Outflows)	2004 $'000 Inflows (Outflows)
Cash flows from operating activities			
Dividends received		3,072	2,675
Interest received		227	166
Cost of purchases of investments and currencies		(81,581)	(114,047)
Proceeds from sale of investments and currencies		81,003	124,280
Management and performance fees paid		(2,733)	(4,370)
Other expenses		(1,406)	(2,032)
Income tax received/(paid)		(74)	4,291
Net cash inflow/(outflow) from operating activities	9(b)	(1,492)	10,963
Cash flows from financing activities			
Proceeds from issue of shares		5,426	5,513
Dividends paid		(17,484)	(17,146)
Net cash outflow from financing activities		(12,058)	(11,633)
Net Increase/(decrease) in cash held		(13,550)	(670)
Cash held at the beginning of the financial year		28,537	29,231
Effects of exchange rate changes on cash		680	(24)
Cash held at the end of the financial year	9(a)	15,667	28,537

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

01. Summary of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The accounting policies adopted have been consistently applied by the Company, except as otherwise indicated.

(a) Basis of Accounting

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

(b) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Australian currency at the rates of exchange ruling on the date of the transaction. All realised exchange gains and losses are taken to account in the period in which they arise. Foreign currency monetary assets and liabilities existing at balance date are revalued at the rates of exchange ruling at balance date. The resulting unrealised exchange differences are brought to account in determining the profit or loss for the year.

(c) Investments

(i) Classification

Investments have not been classified in the Statement of Financial Position as current or non-current assets. In the opinion of the Directors, having regard to the nature of the business conducted by the Company, the period of investment is not known at the time of purchase.

(ii) Valuation

Investments are carried at cost, with the exception of monetary items, which are stated at net fair value. Where, in the opinion of Directors, there has been a permanent diminution in the value of an investment, the carrying amount of such an investment is written down to its net fair value.

(d) Derivatives

(i) Currency hedges

Realised and unrealised gains or losses are brought to account in determining the profit or loss for the year. Currency positions are disclosed in note 12(b).

01. Summary of Significant Accounting Policies (continued)

(d) Derivatives (continued)

(ii) Other derivatives

All other derivatives are valued at cost. Where, in the opinion of Directors, there has been a permanent diminution in the value of a derivative, the carrying amount of such a derivative is written down to its recoverable amount. Derivative positions are disclosed in note 12(a).

(e) Income Recognition

Interest income is recognised on an accruals basis.

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

Foreign exchange income is recognised as disclosed in notes 1(b) and (d).

Investment gains and losses are recognised on disposal of an investment, subject to note 1(c).

(f) Directors' Entitlements

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

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

(g) Income Tax

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

(h) Earnings per Share

Basic and diluted earnings per share is determined by dividing the operating profit after income tax by the weighted number of ordinary shares outstanding during the year.

(i) Cash

Refer to note 9(a).

(j) Receivables

All receivables are recognised as and when they are due.

Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(k) Payables

All payables and trade creditors are recognised as and when they are incurred.

(l) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

02. Income Tax

	2005 $'000	2004 $'000
The aggregate amount of income tax attributable to the financial year differs from the prima facie amount payable on the operating profit/(loss). The difference is reconciled as follows:		
Profit from ordinary activities before income tax expense	8,111	17,492
Prima facie income tax on operating profit/(loss) at 30%	2,433	5,248
Tax effect on permanent differences which:		
Reduce tax payable		
Allowable credits	(355)	(746)
Unrecognised deferred tax assets now deductible	(1,000)	(7,338)
Deferred tax assets not recognised	1,965	1,000
(Over)/under provision of prior period tax	(15)	181
Income tax (benefit)/expense	3,028	(1,655)
Income tax (benefit)/expense comprises:		
Current income tax provision	2,724	999
Deferred tax liabilities	(179)	(2,263)
Deferred tax assets	498	(572)
(Over)/under provision of prior period tax	(15)	181
	3,028	(1,655)

Future income tax benefit

Potential future income tax benefits of $1,965,357 (2004: $1,000,735) arising from permanent diminution in the value of investments of $6,551,189 (2004: $3,335,784) have not been brought to account at balance date as the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as virtually certain. The benefit of the permanent diminution may be obtained if the investments are sold.

Notes to the Financial Statements

30 JUNE 2005

03. Investments

	2005 $'000 Net Fair Value	2005 $'000 Cost/Carrying Value	2004 $'000 Net Fair Value	2004 $'000 Cost/Carrying Value
Listed and non-listed securities	175,946	166,599	181,526	157,467
Less: Securities written down to net fair value	–	(6,551)	–	(3,336)
	175,946	160,048	181,526	154,131
Currency hedges	(209)	(209)	(1,897)	(1,897)
Cash on deposit note 9(a)	15,420	15,420	28,309	28,309
Total Investment Portfolio (note 11)	191,157	175,259	207,938	180,543

Investments are carried at cost, with the exception of monetary items, which are stated at net fair value. Where, in the opinion of Directors, there has been a permanent diminution in the value of an investment, the carrying amount of such an investment is written down to its net fair value.

04. Receivables

	2005 $'000	2004 $'000
Current		
Proceeds on sale of investments	318	308
Accrued dividends	103	82
Accrued interest	22	12
Prepayments	67	85
Sundry debtors	143	–
Goods and services tax	36	96
	689	583

Proceeds on sale of investments are usually received between two and five days after trade date. Interest is usually received within three days of becoming due and receivable and dividends are usually received within approximately 30 days of the ex-dividend date.

The net fair value of receivables approximates their carrying value.

	2005 $'000	2004 $'000
04. Receivables (continued)		
Denomination of current receivables by geographic location:		
Australian dollar	103	445
Japanese yen	162	25
Indian rupee	172	69
Hong Kong dollar	9	–
Korean won	–	3
Euro dollar	–	2
Swiss francs	–	25
British pound	14	3
Canadian dollar	1	–
US dollar	228	11
	689	583

05. Payables

Current		
Payables on purchase of investments	26	999
Trade creditors (unsecured)	526	692
Unclaimed dividends payable to Shareholders	226	190
	778	1,881

Payables on purchase of investments are usually paid between two and five days after trade date. Trade creditors are unsecured and payable between seven and 30 days after being incurred. The net fair value of payables approximates their carrying value. These current payables are non-interest bearing.

	2005 $'000	2004 $'000

05. Payables (continued)

Denomination of current payables by geographic location:

Australian dollar	752	882
Danish krone	–	129
Euro dollar	–	870
Canadian dollar	13	–
US dollar	13	–
	778	1,881

06. Contributed Equity

		2005 Quantity	2005 $'000	2004 Quantity	2004 $'000
Opening balance		116,262,237	126,827	113,799,874	121,314
Dividend reinvestment plan	10-Nov-03	–	–	1,601,844	3,620
Dividend reinvestment plan	27-Feb-04	–	–	860,519	1,893
Dividend reinvestment plan	12-Nov-04	1,639,408	3,590	–	–
Dividend reinvestment plan	4-Mar-05	927,098	1,836	–	–
Closing balance		118,828,743	132,253	116,262,237	126,827

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

Ordinary Shares

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

	Notes	2005	2004
07. Earnings per Share			
Basic earnings per share – cents per share		4.32	16.63
Diluted earnings per share – cents per share		4.32	16.63
Weighted average number of Ordinary shares on issue used in the calculation of basic and diluted earnings per share		117,602,039	115,117,897
		$'000	$'000
Earnings used in the calculation of basic and diluted earnings per share		5,083	19,147

There have been no conversions to, calls of, or subscriptions for Ordinary shares other than those issued under the dividend reinvestment plan, or issues of potential Ordinary shares during the financial year. As there are no potential Ordinary shares, diluted earnings per share equals basic earnings per share.

08. Retained Profits

Retained earnings at the beginning of the financial year		53,588	51,590
Net profit/(loss)		5,083	19,147
Dividends provided for or paid	14	(17,520)	(17,149)
Retained earnings at the end of the financial year		41,151	53,588

09. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes deposits at call and cash at bank, which are readily convertible to cash on hand.

Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	2005 $'000	2004 $'000
Cash at bank*	247	228
Cash on deposit** note 3	15,420	28,309
	15,667	28,537

* Includes $226,000 (2004: $190,000) held in respect of unclaimed dividends on behalf of Shareholders.

** Includes $8,361,000 (2004: $14,527,000) on deposit to "cash cover" derivative contracts' deposits and margin calls. These amounts are held by the relevant derivative exchanges and counterparties as security and are not available for use by the Company until the derivative contracts are closed out. If losses are realised on the close out of derivative contracts, 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 net fair value of cash and deposits approximates their carrying value.

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 the majority bears floating interest rates in the range of 0.05% to 0.85% (2004: 0.20% to 0.70%).

International and Australian deposits at call bear floating interest rates in the range of 1.05% to 5.4% (2004: 1.00% to 5.15%).

International deposits and margin calls at derivative exchanges bear floating interest rates in the range of 1.00% to 3.00% (2004: 0.50% to 1.00%).

	2005 $'000	2004 $'000

09. Notes to the Statement of Cash Flows (continued)

(b) Reconciliation of Net Cash from Operating Activities to Operating Profit/(Loss) after Income Tax

Operating profit/(loss) after income tax	5,083	19,147
Decrease/(increase) in investment securities and currency hedges	(7,605)	(10,367)
(Increase)/decrease in cash due to exchange rate movements	(680)	24
Decrease/(increase) in settlements receivable	(10)	615
Decrease/(increase) in dividends receivable	(21)	84
Decrease/(increase) in interest receivable	(10)	(4)
Decrease/(increase) in GST receivable	60	(62)
Decrease/(increase) in sundry debtors	(143)	–
Decrease/(increase) in income tax receivable	914	5,471
Decrease/(increase) in prepayments	18	(7)
(Decrease)/increase in accrued expenses	(166)	(1,269)
(Decrease)/increase in settlements payable	(973)	166
(Decrease)/increase in income tax payable	1,722	–
(Increase)/decrease in deferred tax assets	498	(572)
Increase/(decrease) in deferred tax liabilities	(179)	(2,263)
Net Cash from Operating Activities	(1,492)	10,963

10. Statement of Net Asset Value

Taking Investments at Market Value and Providing for Realised and Unrealised Taxes*		
Net Asset Value per Statement of Financial Position (Historical cost basis)	173,404	180,415
Add:		
Revaluation of investments	15,898	27,395
Deferred income tax on movements in unrealised monetary items	(2,804)	(7,217)
Adjustment to payables	–	(30)
Net Asset Value	186,498	200,563
Net Asset Value – cents per share	156.95	172.51

* All investments, currencies and derivatives are valued at net fair value.

11. Investment Portfolio

	Quantity	2005 Net Fair Value $'000
Japan		
Aiful	16,100	1,570
Aisin Seiki	40,000	1,135
Alpine Electronics	94,300	1,797
Bank of Yokohama	30,000	227
Canon	44,900	3,093
Citizen Watch	144,700	1,713
Credit Saison	31,700	1,380
Daiwa House	80,000	1,199
Dai Nippon Printing	48,900	1,031
Denso	120,000	3,574
Fuji Electric	437,159	1,743
Ishikawajima-Harima Heavy Industries	246,900	469
JGC	73,000	1,174
JS Group	50,000	1,107
Kuraray	71,100	881
Millea Holdings	94	1,652
Mitsubishi Chemical	147,000	563
Mitsubishi	137,000	2,437
Mitsubishi Heavy Industries	393,000	1,344
Mitsubishi Tokyo Financial	162	1,798
Mitsui	92,000	1,139
Mitsui Sumitomo Insurance	234,000	2,757
NEC	197,000	1,394
Nikko Cordial	264,200	1,521
Nintendo	21,200	2,900
Nippon Television	8,880	1,580
NSK	53,250	357
NTT	221	1,238
NTT Mobile Communications Network	660	1,277
Sharp	49,000	1,002
SMC	10,300	1,470
Sumitomo	168,500	1,767

11. Investment Portfolio (continued)

	Quantity	2005 Net Fair Value $'000
Japan (continued)		
Sumitomo Mitsui FG	161	1,424
Takeda Pharmaceutical	28,400	1,842
TDK	13,400	1,195
Tokyo Broadcasting System	57,100	1,237
Tokyu Corporation	111,000	652
Toyoda Gosei	16,100	339
Toyota Industries	39,000	1,394
Toyota Motor	47,000	2,201
Ushio Denki	74,000	1,724
Total Japan		60,297
Other Asia		
Hong Kong		
Beijing Capital International Airport – H	798,000	416
Travelsky Technology – H	271,000	301
		717
India		
Bank of Baroda	31,600	187
Canara Bank	18,617	118
Canara Bank P – Note	104,500	661
CESC	76,638	461
Housing Development Finance	25,308	673
ITC	25,373	1,259
National Thermal Power	620,739	1,551
Reliance Industries	8,156	158
Reliance Industries P – Note	2,200	42
State Bank of India	27,000	554
Tata Power Company	36,366	412
Union Bank of India	176,086	572
		6,648

11. Investment Portfolio (continued)

	Quantity	2005 Net Fair Value $'000
Other Asia (continued)		
Korea		
Daewoo International	48,150	941
Kangwon Land	92,300	1,728
KT Corporation	14,620	777
Lotte Confectionery	1,832	1,668
Samsung Corporation	139,160	2,393
Samsung Electronics	2,495	1,559
Samsung Securities	24,680	867
Seoul Broadcasting	37,590	1,319
SK Telecom	307	71
		11,323
China		
ZTE Corp P – Note	182,967	799
		799
Taiwan		
Polaris Securities	1,241,336	809
Yuanta Core Pacific Securities	312,842	303
Yuanta Securities P – Note	628,000	647
		1,759
Total Other Asia		21,246
Australia		
Rinker Group – Sold Short	(28,100)	(26)
SPI 200 Sept 05 Future – Sold Short	(21)	(18)
Total Australia		(44)

11. Investment Portfolio (continued)

	Quantity	2005 Net Fair Value $'000
Europe – Euro		
France		
Alcatel	149,500	2,148
Areva	1,700	951
CA Normandie Seine	4,581	649
CA Touraine Poitou	2,770	377
Carrefour	47,600	3,023
Credit Agricole	125,200	4,156
		11,304
Germany		
Adidas	9,200	2,018
Beiersdorf	8,000	1,176
Deutsche Post	88,906	2,722
Douglas Holdings	23,698	1,124
Henkel KGaA-Vorzug	37,913	4,445
Hornbach Baumarkt	45,600	2,239
Hornbach Holdings	11,860	1,382
Infineon Technologies	189,400	2,325
Linde	34,800	3,077
Merck KGaA	3,541	369
Qiagen – Non Voting	40,468	618
Schering	9,000	727
Siemens	42,250	4,038
		26,260
Netherlands		
Oce – Non Voting	31,567	609
Royal Dutch Petroleum	32,700	2,797
		3,406
Finland		
Metso	60,738	1,733
UPM-Kymmene	88,718	2,230
		3,963

11. Investment Portfolio (continued)

	Quantity	2005 Net Fair Value $'000
Europe – Euro (continued)		
Italy		
Alleanza Assicurazioni	186,700	2,655
		2,655
Total Europe – Euro		47,588
Europe – Other		
Sweden		
Ericsson – B	582,500	2,449
		2,449
Switzerland		
Lindt & Spruengli – Registered	20	401
Schindler – Participating Certificates	3,910	1,848
		2,249
United Kingdom		
GlaxoSmithKline	34,000	1,076
Johnson Matthey	9,424	236
Smiths Group – Sold Short	(41,000)	(21)
		1,291
Denmark		
Novozymes – B	49,800	3,228
		3,228
Norway		
Norske Skogindustrier	96,550	2,084
		2,084
Total Europe – Other		11,301

	Quantity	2005 Net Fair Value $'000
11. Investment Portfolio (continued)		
North America		
Canada		
Fairfax Financial Holdings – Sold Short	(3,000)	(11)
Manulife Financial – Sold Short	(37,650)	3
Noranda	119,400	2,680
		2,672
United States		
Abgenix	49,100	551
Advanced Micro Devices	78,280	1,776
Affymetrix	26,000	1,834
Agere Systems	83,689	1,314
Agilent Technologies	24,000	723
Amdocs	5,800	200
AmeriCredit – Sold Short	(118,980)	(100)
Ariad Pharmaceuticals	52,082	454
Bank of America – Sold Short	(13,000)	(18)
Barrick Gold	63,800	2,089
Caliper Life Sciences	24,440	179
Centex – Sold Short	(8,796)	(100)
Cepheid	33,511	322
CH Robinson World – Sold Short	(3,000)	(21)
Commerce Bancorp – Sold Short	(43,900)	(71)
Compass Bank Shares – Sold Short	(9,352)	(1)
Danaher – Sold Short	(27,200)	61
Fannie Mae – Sold Short	(8,700)	(21)
Financials Select Sector SPDR Fund – Sold Short	(49,900)	(18)
Florida Rock – Sold Short	(3,200)	(45)
Foundry Networks	47,600	537
Incyte	61,725	577
International Paper	24,366	963
Investors Financial Services – Sold Short	(4,428)	9
Ishares S&P 500 – Sold Short	(33,000)	(38)

11. Investment Portfolio (continued)

	Quantity	2005 Net Fair Value $'000
North America (continued)		
United States (continued)		
ITT Industries – Sold Short	(6,235)	(23)
KB Home – Sold Short	(24,275)	32
Kelloggs – Sold Short	(9,900)	26
Lehman Brothers Holdings – Sold Short	(2,000)	(20)
Liberty Media	147,552	1,967
Lucent Technologies	8,458	9
Martin Marietta – Sold Short	(1,100)	(2)
Merck	57,000	2,297
Mosaic	113,625	2,313
Myriad Genetics	35,600	729
Newmont Mining	37,150	1,897
News Corporation	189,062	4,215
Nordstrom – Sold Short	(5,100)	(20)
North Fork Bancorp – Sold Short	(29,912)	(20)
NVR – Sold Short	(4,210)	(302)
New York Community Bancorp – Sold Short	(30,400)	(4)
Parametric	143,690	1,199
Pfizer	36,000	1,299
Philadelphia Consolidated Holdings – Sold Short	(4,770)	6
Precision Casting – Sold Short	(13,100)	(49)
Russell 2000 – Sold Short	(18)	(172)
S&P 500 – Sold Short	(41)	173
Sun Microsystems	287,200	1,402
Toll Brothers – Sold Short	(7,000)	3
Union Pacific	14,000	1,187
UnumProvident – Sold Short	(66,189)	(184)
VEECO Instruments	8,650	184
Vertex Pharmaceuticals	41,100	906
Vulcan Materials – Sold Short	(6,100)	(25)
Westamerica Bancorp – Sold Short	(1,318)	(1)

	Quantity	2005 Net Fair Value $'000
11. Investment Portfolio (continued)		
North America (continued)		
United States (continued)		
XOMA	101,330	223
Zimmer Holdings – Sold Short	(22,222)	116
Zymogenetics	27,800	640
		31,157
Total North America		33,829
South America		
Peru		
Bayer Peru – Trabajo	77,287	74
Peru Holding De Turismo – Trabajo	1,667,523	27
Total South America		101
South Africa		
Anglogold Ashanti – ADR	27,470	1,284
Illovo Sugar	202,218	344
Total South Africa		1,628
Liquids		
Outstanding settlements		395
Foreign exchange contracts		(209)
Cash at bank and on deposit		15,420
Total Liquids		15,606
Total Investment Portfolio notes 12(a) and 12(b)		191,552
Accounted for in Payables (payables on purchase of investments)		26
Accounted for in Receivables (proceeds on sale of investments)		(318)
Accounted for in Receivables (dividends receivable)		(103)
Accounted for in Investments (note 3)		191,157

Exchange traded investments' net fair value is determined from the quoted market price less an estimate for realisation costs. Unlisted investments', including monetary items, net fair value is determined from alternative pricing sources in "over the counter" markets or by Directors' valuation, less an estimate for realisation costs.

Certain investments with a carrying value of $81,741,225 (2004: $51,625,792) have a net fair value of $69,237,480 (2004: $44,384,463).

11. Investment Portfolio (continued)

Investment markets are in a continuous state of flux, changing the net fair value of the Company's investments, sometimes to below original cost. The Company is a long term value investor and short term fluctuations in the net fair value of investments are not taken to account, other than if they represent a permanent diminution in value. (Refer to note 1(c)(ii)).

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

Number of transactions – 2,165 Total brokerage paid – $357,334

12. Risk Management

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

The Company's primary risks are related to the investment activities undertaken on its behalf by the Investment Manager. The Company has a policy of not borrowing moneys, other than on a short term basis for settlement, trading and like purposes. The Company's investment restrictions prohibit it from taking positions in futures, options, other derivative products or short sales of securities, if the aggregate exposure to those products exceeds 50% of the net asset value of the Company.

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

The international investment activities of the Company expose it to currency risk – the possibility of losing money owing to changes in foreign currency exchange rates – and manages this risk through forward currency hedging contracts and options on forward contracts. Contracts open at balance date are accounted for as foreign currency monetary assets and liabilities – refer note 1(b).

The Company is exposed to credit related losses in the event of non-performance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings. Where appropriate, the Company utilises master netting agreements.

12. Risk Management (continued)

The investment activities of the Company expose it to market risk – the possibility of losing money owing to changes in the market prices of its investments – and manages this risk through derivative hedging contracts, futures, options and swaps. Such transactions are to protect the investment portfolio from either being invested or uninvested. Contracts are primarily for the purpose of portfolio protection and are aimed at decreasing the level of market risk in the portfolio.

The Company is exposed to liquidity risks – the possibility of being unable to obtain the fair market value of an asset or derivative owing to prevailing market conditions – and manages this risk by using derivatives in liquid markets and managing exposure to assets in illiquid markets; although it should be noted that even the most liquid markets can become illiquid in times of severe downward price corrections.

The Company is exposed to interest rate risks – the possibility of losing money owing to changes in interest rates and, more particularly for the Company, the effect that changes in interest rates have on currency and stock market prices – and manages these as noted above for currency and market risks.

Refer to note 1 for the accounting policies adopted with respect to derivatives and currencies.

12. Risk Management (continued)

(a) Investments at Net Fair Value and Derivatives Exposure

	Physical $'000	Net Exposure $'000
Japan	60,297	60,297
Other Asia	21,246	21,246
Australia	–	(2,637)
Europe – Euro	47,588	47,588
Europe – Other	11,322	10,437
North America	34,665	(25,614)
South America	101	101
South Africa	1,628	1,628
	176,847	113,046
Cash and accruals	14,705	78,506
Total	191,552	191,552

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

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

The Company uses derivatives contracts in liquid markets and generally utilises short dated contracts; those with 90 day maturities. The existing derivative positions are held with high credit rating counterparties with maturity dates ranging from 77 days to 80 days. Initial margin requirements and daily variation margin requirements on derivatives contracts are met in cash. Derivative contracts have little credit risk as they are traded on recognised exchanges. Over the counter equity swaps are also entered into by the Company with high credit rating counterparties with maturity dates of no more than 90 days. Initial margin requirements and daily variation margin requirements are met in cash.

12. Risk Management (continued)

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

(b) Currency Exposure at Net Fair Value

	Physical $'000	Bought $'000	Sold $'000	Net Exposure $'000
Japan	61,224	12,169	–	73,393
Other Asia	21,351	–	–	21,351
Australia	(193)	39,513	(10,000)	29,320
Europe – Euro	48,975	–	(11,311)	37,664
Europe – Other	11,540	–	(1,752)	9,788
North America	46,926	–	(28,619)	18,307
South America	101	–	–	101
South Africa	1,628	–	–	1,628
Total	191,552	51,682	(51,682)	191,552

The above table categorises the investments in the Portfolio into the geographic region of their operations.

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

The Company generally utilises short dated (90 day maturities) currency agreements with high credit rated counterparties. The existing currency hedging positions' maturity dates range from 15 days to 75 days.

(c) Interest Rate Exposure

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

Refer to note 9(a) for information on short term interest rates.

13. Franking Account

	2005 $'000	2004 $'000
Opening balance based on tax paid and franking credits attached to dividends paid – converted at 30%	30,078	36,249
On tax paid and payable:		
2003/2004	–	998
2004/2005	2,725	–
Prior year tax provision – franking adjustment	(15)	181
Credits on franked dividends received	2	–
Dividend paid – franked at 30%	(7,509)	(7,350)
	25,281	30,078

14. Dividends (fully franked)

	2005 CPS	2005 $'000	2004 CPS	2004 $'000
Paid – Interim fully franked at 30%	5.00	5,894	5.00	5,769
Paid – Final fully franked at 30%	10.00	11,626	10.00	11,380
	15.00	17,520	15.00	17,149

	2005 $'000	2004 $'000
Dividends not recognised at year-end		
In addition to the above dividends, since year-end the Directors have recommended the payment of a final dividend of 10 cents per fully paid Ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 18 November 2005 but not recognised as a liability at year-end.	11,883	11,626

15. Investment Manager

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

A Performance fee is payable at 10% of the amount by which the Portfolio's annual performance exceeds the return achieved by the MSCI plus 5% (MSCI is the Morgan Stanley Capital International All Country World Net Index in A$. This new index, adopted from 1 July 2004, is a more comprehensive and relevant index than the MSCI World Accumulation Net Return Index formally used). Where the Portfolio's annual performance is less than the MSCI, the amount of the underperformance is aggregated, carried forward and deducted from the annual performance in the subsequent year before calculating any Performance fee for that year. The aggregate of underperformance is carried forward until a Performance fee becomes payable.

The pre-tax performance of the Portfolio for the year to June 2005 was positive 0.13% and the corresponding MSCI was positive 1.59%. This represents an underperformance of 1.46% against the MSCI. This does not represent an outperformance after the 5% MSCI hurdle. Accordingly, a Performance fee is not payable.

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

	2005	2004
	$'000	$'000
Management fee	**2,903**	3,078
Performance fee	**–**	–
Amounts paid and payable to the Investment Manager for the year	**2,903**	3,078

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

(a) the Investment Manager will invest the Portfolio in accordance with the investment objectives and restrictions of the Company and subject to the Constitution, the Management Agreement, the ASX Listing Rules, the Corporations Act 2001 and investment restrictions and directions from the Company;

(b) confer with the Company at regular intervals;

15. Investment Manager (continued)

(c) administer the borrowings of the Company;

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

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

(f) the Investment Manager may retire after giving six months' notice;

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

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

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

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

16. Contingent Liabilities and Commitments for Expenditure

No contingent liabilities exist at balance date.

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

17. Segment Information

	2005 $'000 Segment Revenue	2005 $'000 Segment Result	2004 $'000 Segment Revenue	2004 $'000 Segment Result
Japan	2,241	2,195	5,789	5,743
Other Asia	5,953	5,881	3,630	3,580
Australia	20	20	(173)	(174)
Europe – Euro	3,443	3,388	9,385	9,243
Europe – Other	3,717	3,673	3,147	3,191
North America	(8,082)	(8,108)	(5,296)	(5,317)
South America	(40)	(40)	(465)	(465)
South Africa	493	493	–	–
Unallocated Revenue – Net gains/(losses) on currency hedging transactions (realised and unrealised)	4,746	4,746	5,837	5,837
Unallocated Expenses	–	(4,137)	–	(4,146)
Total	12,491	8,111	21,854	17,492

17. Segment Information (continued)

	2005 $'000 Segment Assets	2005 $'000 Segment Liabilities	2004 $'000 Segment Assets	2004 $'000 Segment Liabilities
Japan	69,225	–	49,248	–
Other Asia	16,294	–	24,643	–
Australia	29,844	2,896	58,668	1,483
Europe – Euro	33,378	–	25,239	870
Europe – Other	7,318	–	16,129	129
North America	18,455	26	7,179	–
South America	101	–	142	–
South Africa	1,711	–	1,649	–
Total	176,326	2,922	182,897	2,482

18. Events Occurring after Reporting Date

No significant events have occurred since balance date which would impact the financial position of the Company as at 30 June 2005 and the results for the year ended on that date.

19. Director and Executive Disclosures

(a) Directors

The names of persons who were Directors of Platinum Capital Limited at any time during the financial year are as follows:

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

The Executive Directors (K Neilson, A Clifford and M Halstead) are employees of the Investment Manager, Platinum Asset Management. There are no Executives or employees, other than the Non-Executive Directors listed in note 19(b).

19. Director and Executive Disclosures (continued)

(b) Directors' Remuneration

The Executive Directors (K Neilson, A Clifford and M Halstead) are employees of the Investment Manager, Platinum Asset Management, and are not remunerated by the Company. The Executive Directors review and determine the remuneration of the Non-Executive Directors and may utilise the services of external advisers. It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Non-Executive Directors.

Remuneration received or receivable by the Directors of the Company, including aggregate amounts paid to superannuation plans, is disclosed in the Statement of Financial Performance.

2005 Name	Primary Salary $	Post-employment Superannuation $	Total $
G Galt	55,000	4,950	59,950
P Clarke	50,000	4,500	54,500
B Coleman	50,000	4,500	54,500
Total	155,000	13,950	168,950

The Executive Directors (K Neilson, A Clifford and M Halstead) are employees of the Investment Manager, Platinum Asset Management, and are not remunerated by the Company. Accounting Standard 1046 requires remuneration made available indirectly to Directors by personally-related entities be disclosed. Platinum Asset Management is a personally-related entity of the three Executive Directors. The standard deems some portion of the remuneration paid by Platinum Asset Management to its employees to be in relation to managing the affairs of this Company. Platinum Asset Management has not made any determination as to what proportion of its employees' remuneration relates to this Company. Platinum Asset Management paid: K Neilson a salary of $250,000 (2004: $200,000) and superannuation of $11,584 (2004: $11,002); A Clifford a salary of $200,000 (2004: $170,000), a bonus of nil (2004: $200,000) and superannuation of $11,584 (2004: $11,002); M Halstead a salary of $200,000 (2004: $170,000), a bonus of nil (2004: $200,000) and superannuation of $11,584 (2004: $11,002).

19. Director and Executive Disclosures (continued)

(c) Service Agreements

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

Graeme Galt, Chairman and Non-Executive Director

- Commenced on 25 July 2002.
- No term of agreement has been set unless the Director is not re-elected by Shareholders of the Company.
- Base salary, inclusive of superannuation, for the year ended 30 June 2005 of $59,950.

Peter Clarke, Non-Executive Director

- Commenced on 15 April 1999.
- No term of agreement has been set unless the Director is not re-elected by Shareholders of the Company.
- Base salary, inclusive of superannuation, for the year ended 30 June 2005 of $54,500.

Bruce Coleman, Non-Executive Director

- Commenced on 10 June 2004.
- No term of agreement has been set unless the Director is not re-elected by Shareholders of the Company.
- Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $54,500.

(d) Equity Instrument Disclosures Relating to Directors

Share Holdings

The three Executive Directors, Messrs Neilson, Clifford and Halstead, are employees of and have a relevant interest in the Investment Manager and accordingly will receive some portion of the Management fee and Performance fee; they do not receive any Directors' remuneration from the Company (note 15).

The number of Ordinary shares in which the Directors have a relevant interest at balance date:

Name	Balance at 01/07/04	Acquisitions	Disposals	Balance at 30/06/05
K Neilson	324,020	–	–	324,020
A Clifford	81,004	–	–	81,004
M Halstead	64,804	–	–	64,804

20. Related Party Information

Directors

Disclosures relating to Directors are set out in note 19.

Related Parties

Disclosures relating to the Management fees paid and payable to Platinum Asset Management Limited, a personally related entity, are set out in note 15.

21. The Company

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

Level 4, 55 Harrington Street
Sydney NSW 2000

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

22. Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian Equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the Company's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

To comply with AIFRS for the first time the Company will be required to restate its comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The Investment Manager, Platinum Asset Management, has established a project team to manage the transition to AIFRS, including training staff and system and internal control changes necessary to gather all the required financial information. The project team considers it is on schedule to finalise adoption of AIFRS within the required timeframe. To date the project team has analysed most of the Australian equivalents to AIFRS and has identified the main accounting policy changes that will be required. In some cases choices of accounting policies

22. Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (IFRS) (continued)

are available, including elective exemptions under Accounting Standard AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards. These choices have been analysed to determine the most appropriate accounting policies for the Company.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are shown for each line item in the Statement of Financial Performance and Statement of Financial Position, with descriptions of the differences. No material impacts are expected in relation to the Statement of Cash Flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the Company prepares its first full AFIRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

22. Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (IFRS) (continued)

Impact on the Statement of Financial Performance

	Notes	Existing GAAP $'000	Effect of Change $'000	AIFRS $'000
Revenue from ordinary activities				
Dividends		3,093	–	3,093
Interest		237	–	237
Net gains/(losses) on equities/derivatives	(b)	8,785	(14,583)	(5,798)
Net gains/(losses) on currency hedging transactions	(b)	3,057	1,689	4,746
Net unrealised gains/(losses) on revaluation of monetary items	(b)	1,689	(1,689)	–
Reversal of prior period's provision for permanent diminution in the value of investments	(b)	3,336	(3,336)	–
Provision for permanent diminution in the value of investments	(b)	(6,551)	6,551	–
Net gains/(losses) on overseas bank accounts		(1,155)	–	(1,155)
Total revenue from ordinary activities		12,491	(11,368)	1,123
Expenses				
Operating expenses		4,380	–	4,380
Transaction costs	(c)	–	176	176
Total expenses		4,380	176	4,556
Profit/(loss) from ordinary activities before related income tax expense		8,111	(11,544)	(3,433)
Income tax expense/(benefit)	(a)	3,028	(4,427)	(1,399)
Profit/(loss) from ordinary activities after related income tax expense		5,083	(7,117)	(2,034)

22. Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (IFRS) (continued)

Impact on the Statement of Financial Position

	Notes	Existing GAAP $'000	Effect of Change $'000	AIFRS $'000
Investments	(b), (c)	175,259	14,543	189,802
Current Assets				
Cash at bank		247	–	247
Receivables	(b)	689	1	690
Deferred tax assets	(a)	131	(63)	68
Total Current Assets		1,067	(62)	1,005
Total Assets		176,326	14,481	190,807
Current Liabilities				
Payables		778	–	778
Income tax payable		1,722	–	1,722
Deferred tax liabilities	(a)	422	2,335	2,757
Total Current Liabilities		2,922	2,335	5,257
Net Assets		**173,404**	**12,146**	**185,550**
Equity				
Contributed equity		132,253	–	132,253
Retained profits	(a) – (c)	41,151	12,146	53,297
Total Equity		**173,404**	**12,146**	**185,550**

Under AASB 1, the Directors' of the Company have elected not to apply the requirements of AASB 132: Financial Instruments: Disclosure and Presentation and AASB 139: Financial Instruments: Recognition and Measurement in the first comparative year under AIFRS.

Under this election, first time adoption of these standards will be delayed until 1 July 2005. The reconciliation provided is for information purposes to satisfy the requirements of AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards to disclose the impact on the Statement of Financial Performance and Statement of Financial Position from adopting AIFRS as though the exemptions available under AASB 1 were not applied.

When the 30 June 2006 annual report is prepared the exemptions available in accordance with AASB 1 will be adopted. As a result the comparative balances will reflect the balances in the Exisiting GAAP column.

22. Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (IFRS) (continued)

Notes Explaining the Impacts on the Statement of Financial Performance and Statement of Financial Position

(a) Income Tax

Under AASB 112: Income Taxes, deferred tax balances will be determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statement of Financial Position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method. Items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

If the policy required by AASB 112 had been applied during the year ended 30 June 2005 the following would have resulted:

A decrease in deferred tax assets of $63,000 at 30 June 2005 would have been recognised comprising:

(i) A reclassification of deferred tax assets of $507,000 for the year ended 30 June 2005 to offset deferred tax liabilities attributable to the unrealised losses on monetary items.

(ii) A reclassification of deferred tax assets of $570,000 at 1 July 2004 attributable to the unrealised losses on monetary items to offset deferred tax liabilities.

An increase in deferred tax liabilities of $2,335,000 at 30 June 2005 would have been recognised comprising:

(iii) A decrease in deferred tax liabilities of $4,427,000 for the year ended 30 June 2005 attributable to the revaluation of investments.

(iv) An increase in deferred tax liabilities of $507,000 for the year ended 30 June 2005 attributable to a reclassification of deferred tax assets.

(v) An increase in deferred tax liabilities of $6,827,000 at 1 July 2004 attributable to the revaluation of investments relating to opening retained earnings.

(vi) A decrease in deferred tax liabilities of $570,000 at 1 July 2004 attributable to a reclassification of deferred tax assets.

(vii) A decrease in deferred tax liabilities of $2,000 at 1 July 2004 attributable to a difference in foreign exchange rates used for valuation of foreign currency contracts relating to opening retained earnings.

22. Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (IFRS) (continued)

(b) Investments

Under AASB 139 investments will be classified as "trading securities" and be recognised in the Statement of Financial Position at fair value. During the period changes in fair value for trading securities will be recognised in the Statement of Financial Performance. The fair value of investments will be measured at bid price and will exclude disposal costs.

Investments and other derivatives are currently valued at historical cost unless it has been determined that there has been a permanent diminution in the value of an investment in which case, the carrying amount is written down to net market value or "last sale" price with an allowance for disposal costs. Transactions costs are included in the gain or loss on sale of trading securities. Investments in monetary items and currency hedges are currently stated at net market value or "last sale" price with an allowance for disposal costs.

If the policy required by AASB 139 had been applied during the year ended 30 June 2005 the following would have resulted:

(i) A decrease in net gain/(loss) on equities and derivatives from a revaluation of $14,583,000 during the year.

(ii) A decrease in the permanent diminution of $6,551,000 during the year.

(iii) An increase in opening retained earnings from a revaluation of equities and derivatives of $22,756,000.

(iv) An increase in opening retained earnings from the reversal of the provision for permanent diminution of $3,336,000.

(v) A decrease in opening retained earnings attributable to a difference in foreign exchange rates used for valuation of foreign currency contracts of $10,000.

(vi) An increase in opening retained earnings attributable to a difference in foreign exchange rates used for valuation of cash balances of $5,000.

(vii) An increase in opening retained earnings attributable to a difference in foreign exchange rates used for valuation of proceeds from sale of investments of $1,000.

(c) Transaction Costs

Initial measurement (cost) on acquisition of trading securities shall not include directly attributable transaction costs such as fees and commissions paid to agents. Incremental transaction costs should be expensed as incurred in the statement of financial performance. This differs from the current treatment where incremental transaction costs on acquisition of trading securities are included within initial measurement cost. The impact during the year ended 30 June 2005 is the recognition of an expense of $176,000.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 34 to 69:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the Company's financial position as at 30 June 2005 and its performance as represented by the results of its operations and its cash flows for the financial year ended on that date.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

(b) 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 declaration by the Managing Director and Finance Director required by section 295A of the Corporations Act 2001.

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

Graeme Galt
Director

Kerr Neilson
Director

Sydney
8 August 2005

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757
Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Independent Audit Report to the Members of Platinum Capital Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Platinum Capital Limited (the Company) for the period ended 30 June 2005 included on Platinum's website. The Directors of Platinum Asset Management, the Manager, are responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the website.

Audit Opinion

In our opinion, the financial report of Platinum Capital Limited:

– gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Platinum Capital Limited (the Company) as at 30 June 2005 and of its performance for the year ended on that date; and

– is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Independent Audit Report

TO THE MEMBERS OF PLATINUM CAPITAL LIMITED

Scope and Summary of Our Role

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Platinum Capital Limited (the Company), for the year ended 30 June 2005.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company.

Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

– examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and

– assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers
Chartered Accountants

AJ Loveridge
Partner

Sydney
8 August 2005

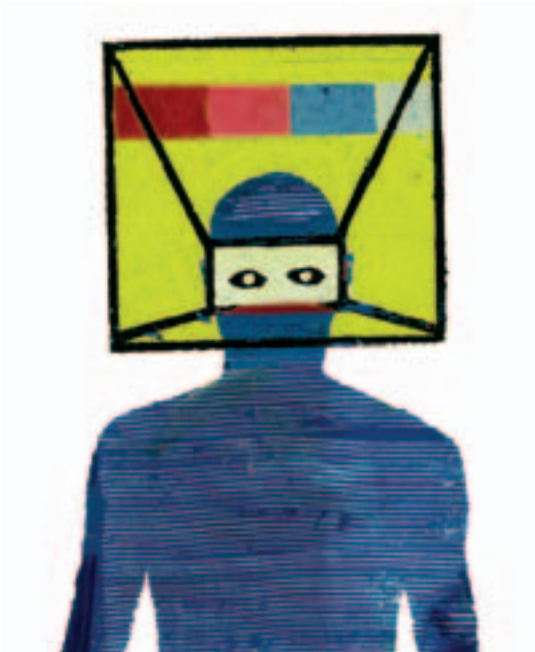
Liability is limited by the Accountants Scheme under the Professional Standard Act 1994 (NSW).

PLATINUM CAPITAL 2005 ANNUAL REPORT

The ghost in the new machine age

PLATINUM CAPITAL LIMITED

DESIGNED AND PRODUCED BY 3C
WRITTEN BY CREED C O'HANLON
ILLUSTRATIONS BY GIANPAOLO PAGNI



The ghost in the new machine age

PLATINUM CAPITAL LIMITED

Introduction

AT THE START OF MY CAREER as an investment analyst, I remember being highly intrigued by a study undertaken by Unilever in the late 1950s to try to gaze into the future – in fact it was looking about 15 years ahead. As one read this attempt at futurology in the early 1970s, it was striking how many of the prognostics were simple extrapolations of circumstances that prevailed at the time of writing. The more way-out ideas seemed child-like in retrospect and others were wish-lists that no longer carried appeal because of technological or social change.

In the same context, a matter that has always entertained me is the question of how to preserve inter-generational wealth. It is astonishing how family fortunes are dissipated by waste, carelessness, bad judgement or idleness. These of course are all assisted by the insidious tentacles of government and their enthusiastic agents. When dreaming up the future to leave a financial legacy, one is handicapped by extrapolation and familiarity. All too often one is inclined to presume that current trends will prevail into the foreseeable future. Markets teach us to exercise greater scepticism and to try to accommodate the reflexive activity of all the likely participants.

Some may argue that land and property are the obvious way to secure wealth over a 50 to 100 year time frame. They may, however, be discouraged after a brief chat to a drought-stricken grazier or just subsequent to an imposed reallocation of water rights. In fact, throughout history one can observe long periods when land and its associated rents have failed to keep their real value. For example, the opening up of the Pampas and Australia in the nineteenth century was extremely damaging to farm produce prices in Europe and accelerated the drift into cities. Likewise, changing trade patterns and modes of transport have seen former boom towns and harbour cities become haggard spinsters of their once refulgent, youthful bloom.

Social change can be one of the most damaging variables in forward planning. In the last 50 years alone there have been remarkable changes in economic thinking and social values. The social status of many professions and activities has changed out of recognition, as have rewards for different skills. While self-righteously defending capitalism, such was our concern from the threat of communism that it

was apparently worth waging war over. Wouldn't its supposed superiority have taken care of itself, one can now muse. Either way, it was accompanied by some harsh distributive tax regimes, with wealth taxes being levied even before the income was received. In the same vein, development economics was once a trendy subject for undergraduates as they contemplated making a worthwhile contribution to humanity, while today's crop is being taught a branch of economics that would have made Ayn Rand (of *Atlas Shrugged* fame) proud.

In coming years there may be a need to review today's assumptions about social values regarding matters such as animal rights (in respect of diet), population levels (they could be a lot smaller than presently assumed), climate change (land values in Siberia!), freedom of movement and so on. Some of us may simply give up and suggest that the next generation will have to play with the cards they are dealt.

This leads us to Creed Chris O'Hanlon's contribution to this year's Platinum Capital annual report. Creed gives us a retrospective of the information technological revolution, highlighting the extraordinary influence of radio waves and the subsequent emergence of the digital age. It is possible today to *code* nearly every human activity in digital form and importantly, other digital codes can be spliced (seamlessly) to create reliable or totally fictitious imaginings. Further, with the Internet now being made available ubiquitously via radio waves (wireless), our lives are taking surprising directions. Creed touches on some of the implications for business and society which at the very least will stir your imagination. ⬠

KERR NEILSON MANAGING DIRECTOR

"I AM FIRMLY ON THE SIDE OF NATURE. BUT NATURE, I SUSPECT, IS ON THE SIDE OF THE MACHINES." GEORGE DYSON

The ghost in the new machine age

BY CREED C O'HANLON

IN 1895, THE ITALIAN SCIENTIST, Guglielmo Marconi, transmitted the first wireless signal over a distance of one and a half miles from the attic of his father's villa in Pontecchio. A year later, just as Marconi was granted the world's first patent for wireless telegraphy in England, the Serbian genius, Nikola Tesla, transmitted radio waves across the island of Manhattan, in New York. In 1900, Marconi was granted another patent for 'tuned or syntonic telegraphy', and in December of the following year, he set out to prove that wireless waves were unaffected by the curvature of the earth, transmitting the first wireless signal across the Atlantic – a distance of 2,100 nautical miles.

As revolutionary as Tesla's development of alternating current as the standard for the distribution of electrical power in the late 1880s – replacing Thomas Edison's less efficient and less powerful direct current – the proliferation of radio communications during the early years of the 20th century was the beginning of the first elemental change to the human environment since our earliest ancestors drew their first breaths of oxygen on land.

The change went unnoticed. It was, after all, invisible and it had no real effect: no mass, no weight, no perceptible movement or temperature. Without an electric device of some kind, there was no way to detect its presence. Yet it was there, not just around everything and everyone, but passing *through* them – electromagnetic radiation propagating at the speed of light carrying modulated analog signals: simple land-based Morse code and voice communications at first, and soon, commercial radio broadcasting news and entertainment to mass-produced receivers.

In 1936, terrestrial and maritime radio signals jostled with signals carrying the first-ever public broadcast of analog television images in the United Kingdom. Ten years later, commercial television broadcasting began in the United States, and ownership of television sets grew from .02 per cent of North American homes to 72 per cent within a decade. A half a century on, 98 per cent of homes in the developed world have a television.

And yet television's astounding growth – which moved the Canadian academic, Marshall McLuhan, to declare: "The new electronic interdependence recreates the world in the image of a global village" – was nothing compared to the build-up of global communications in the second half of the 20th century. From the launch of the first communications satellite, *Echo1*, in 1960, it accelerated with the passing of the *Communications Satellite Act* by the U.S. Congress in 1962. The Act created the Communications Satellite Corporation (Comsat), which was joined by agencies from 17 other countries in 1964 to form the International Telecommunications Satellite Consortium (Intelsat) for the purpose of establishing a global commercial communications network. By the end of the century, there were 143 member agencies and a network of 17 satellites in geosynchronous orbits around the earth receiving transmissions from, or relaying them to, more than 2,000 earth stations. A single modern satellite could carry as many as 112,500 two-way telephone conversations and three colour television broadcasts simultaneously.

Humans no longer inhabited the 'empty' space of the pre-telegraphy era. They were immersed in the waves of a turbulent electromagnetic sea that by the end of the 20th century engulfed everyone on (and off) the planet with analog and digital data, voice and code communications, moving and static images, and sound.

We were soon to be absorbed by it. As the 21st century progressed, every human activity was being deconstructed or 'hacked' as a set of algorithms – "to determine higher-level data products from lower-level source data," as a

Over time, humans would re-engineer themselves to interface remotely with almost whatever they wanted or needed. They would act as their own mobile data storage and transmitters.

definition from the United States' National Aeronautics and Space Administration (NASA), put it – and replicated in a ubiquitous wireless digital environment, making it instantly accessible. The more that hardware and software became seamless with 'wetware' – a process of integration in which technology became more organic and human life became more dependent on processing chips – the more responsive we wanted it to be, less reliant on interaction, and more on intuition and even empathy.

Soon, humans would no longer exist as discrete, communal organisms within the fast-moving but still invisible flow of data transmitted between billions of digital storage systems. They would no longer have to think about when, where and how they accessed this flow through cumbersome fixed devices. Over time, they would re-engineer themselves to interface remotely with almost whatever they wanted or needed. They would act as their own mobile data storage and transmitters.

Human beings would become part of a new machine, a vast artificial neural network within which they were the conduits for a ceaseless flow of data.

2.

SOMEWHERE BETWEEN THE MID-1990S AND 2000, we overlooked the pivotal moment when the long-standing concept of a 'mass' audience, with its passive relationship with entertainment, information and communication media, became an anachronism.

For three quarters of a century, an individual's interaction with media hardware such as radios and televisions was limited to turning them on and off, tuning them to pre-set frequencies, and adjusting the volume. The programming was left to commercial or government-funded broadcasters. Everything, from what shows would be transmitted, and when, to how and when each show would be interrupted by advertising and station identification, was at their discretion. Audiences were, in effect, told (ironically, through paper media) when to show up in front of the hardware to enjoy their favourite shows. They were offered no say in the process. It wasn't until Sony introduced the first generation of consumer video cassette recorders, or VCRs, in 1976, that viewers were able to free themselves from the broadcasters' schedules, to watch or record a show at a time convenient to themselves.

Networked computing sowed the seeds of a radical change that would create not only a new medium but an array of unprecedented expectations among the hundreds of millions of people who would interact with it.

If it existed at all in the popular imagination, interactivity was an abstract idea until the astounding success in 1977 of the Apple II, the first mass-produced, affordable personal computer, with its simple, out-of-one-box, modular hardware, relatively easy-to-use operating system and friendly graphical user interface. Personal computing introduced the idea of personal control, and because it shared a similar paradigm to the television screen it began to re-configure the mind-set of everyone who came into contact with it, regardless of the operating system, from that of a passive 'viewer' to an active 'user', the latter a term that would be adopted two decades later to describe the audience of an entirely new medium, the Internet.

Paradoxically, interactivity did evolve first through the television. In 1967, the first video game was designed with the television screen as the monitor. Half a decade later came the first domestic game console. The same year, the legendary video games company, Atari, was founded and they hired a programming genius to design the two-player game, *Pong*, which the company released first as an arcade

game then as a game for home consoles. In 1977, Atari introduced its own home game system, still using the TV as a monitor; the same year, a then small Japanese company, Nintendo, launched its first video game console and a limited range of dedicated titles.

Even before the widely distributed matrix of the Internet became accessible to a global population, it was the ability of computers to network, to communicate and share that began to distract attention from the somewhat intractable TV screen. Imaginatively and practically, the modern television was – and still is – a single-purpose device that had more in common with living room furniture than with the fast-evolving, multi-functional flexibility of the personal computer: the television set was unresponsive, unintuitive, and unprogrammable. The only thing it offered that a computer didn't was high-resolution entertainment and news.

That was about to change.

Networked computing sowed the seeds of a radical change that would create not only a new medium but an array of unprecedented expectations among the hundreds of millions of people who would interact with it.

Twelve years after the launch of the first successful mass-produced personal computer, Tim Berners-Lee, an English computer scientist, proposed the idea of a global hypertext database – *hypertext* is digital text that links to other information; by clicking on a link in a hypertext document, a user can jump instantly to a different part of the same document or to a different document entirely – in which every 'package' of data would have a distinct *universal document identifier*, or UDI, which any network user could use to retrieve specific data. He referred to it as the World Wide Web, and conceived it as a comprehensive, global resource of text, aural and image data, each identified by a UDI (now better known as *uniform resource locators*, or URLs) and interconnected by hypertext links. Universal access to the 'web', as it became known, would be through the Internet, the global iteration of a domestic project, begun in 1973 under the auspices of the U.S. Department of Defense's Advanced Research Project Agency to link the computer networks at selected universities and research laboratories across North America.

Between 1989 and 1991, the first web server and web browser/editor was created, as well as the specifications for *hypertext markup language* (or HTML, the code in which websites are written), and the *hypertext transfer protocol* (HTTP,

The future, as far as anyone was able to predict, was the migration from analog biology to the networked code of the virtual.

the means by which data is moved into and out of the web), and URLs. With the invention of an easier-to-use web browser, *Mosaic 1*, in 1993, two years after access to the World Wide Web through the Internet was gained, the new medium began to attract a 'user base' of computer geeks, researchers and academics, the perennial 'early adopters' that are at the core of every new technology development.

And, close behind them was everyone else. By the beginning of the new millennium, the number of users in the United States had exceeded 160 million, and there were more than 130 million in Western Europe, 80 million in China, and 60 million in Japan. There were also 10 million in Australia.

As access to the medium increased, so did the network's bandwidth, and the computing power of the hardware connected to it. The early MOS technology 6502 processor of the Apple II computer ran at a clock speed of just over a single

MHz. 30 years later, the top-of-the-range Apple desktop computer, a dual-processor Power Mac G5, ran at 2.7 GHz, bearing out Moore's Law, the empirical observation made in 1965 by Gordon Moore, co-founder of the U.S. microprocessor manufacturer, Intel, that the number of transistors per square inch on integrated circuits had doubled every year since the integrated circuit was invented, and that for the foreseeable future, data density would double every two years. In other words, the processing capabilities of a personal computer would continue to increase by 50 per cent every year.

If the concerns of the late '90s were about computer processing speed, web bandwidth and transfer speeds, and the size of the online user base, as well as costs of connectivity and storage, these were obviated ten years later by high-speed, low (or no) cost wireless connectivity, mobility, and palm-sized portability. And the real future, as far as anyone was able to predict, was the migration from analog biology to the networked code of the virtual.

3.

IN 1993, THE MATHEMATICIAN, computer scientist and author of science fiction, Vernor Vinge, wrote a controversial essay in which he argued that the exponential growth of technology would result in what he (and others before him) had termed, *The Technological Singularity*: "a point in the development of a civilization at which technological progress accelerates beyond the ability of present-day humans to fully comprehend or predict". Vinge and other futurists estimated that if the current rate of technological evolution were sustained, we would reach a technological singularity in less than a quarter of a century.

By 2004, it was apparent that when it came to information and entertainment media, we had already arrived at that crucial point.

Access to the Internet had become almost as widely distributed as access to a phone, and web-enabled devices were more ubiquitous than television. More important was the fundamental shift in the expectation that such access created. The effect of this shift was underestimated not only by media companies but also economists and business analysts.

Audiences (who were also consumers) were no longer 'anticipatory'. Over several centuries, humans had become habituated to a long time lag between when they first heard of something and when they might be able to satisfy their

curiosity to know more, and even in the second half of the 20th century, their engagement with news, entertainment and advertising was passive. Now they demanded instant gratification. If they heard a rumour about anything, they could instantly access detailed background, complete with unedited video and audio; if it was a product, they could not only delve into its detailed specifications and pricing but also compare them to those of its competitors before ordering it online. Music, video, images and software could be located and downloaded for free through peer-to-peer networks or purchased through massive online libraries that offered lower prices, and greater flexibility and choice than those available offline. Even 'analog' products like books, household appliances, clothes, toys, electronic hardware and even food could be specified and ordered for overnight delivery, often through a single online retailer like Amazon.com.

Audiences became cannier about the capabilities of online applications and databases. It was no longer enough that their collective need for instant gratification was being met – with increased efficiency, 24 hours a day, seven days a week – information, communication, entertainment, services and transactions had to be individualised, and infinitely customisable.

There was no longer a 'mass' but a million-fold audience of just one. It no longer took whatever was offered as 'standard', no longer listened to what it was told was the 'norm'. Instead, individual needs were specified and organisations were expected to respond. It refused to be the passive recipient of mediated messages; it expected dialogue.

The advantage of this to commercial interests was that an individualised audience enabled accurate accountability: investment in product development or marketing could be better managed because consumer preference or 'customisation' data could be mined and analysed more effectively – if only they could get to grips with the sheer amount of it. Still, media and marketing executives, and most business analysts, preferred to over-simplify what was happening. As far as they were concerned, the Internet was just another of the handful of media competing for audience attention, and right up until the first years of the new millennium, the medium and the device through which it was first delivered – the personal computer – were interchangeable. In other words, the press (paper media), TV, radio and to a lesser extent, the phone, competed for an audience's attention with the computer screen.

This early concept of the Internet and the World Wide Web being somehow 'contained' within a single device hardwired through a modem to a telephone line – a device that was, in their minds, just as cumbersome as a TV set – allowed them to underestimate its effect. However, within a decade, as the functionality of the heavy desktop PC began to be shared, first by lightweight, high-powered laptop computers, then by wireless palm-top devices and mobile phones, the evolution of which had accelerated so much that there was little to distinguish them, it became apparent that the web environment not only dominated audience attention to an unprecedented extent, but had also fragmented it.

The effect of this on 'traditional' media was devastating. In the ratings seasons between 2000 and 2005, the staple weekday evening TV audience during the period programmers called 'prime-time' declined by between 25 and 35 per cent. Many newspapers and magazines reported double-digit percentage drops in their circulations.

Music, video, images and software could be located and downloaded for free through peer-to-peer networks or purchased through massive online libraries that offered lower prices, and greater flexibility and choice than those available offline.

During the same period, sales of recorded music, mainly on CD, fell 31 per cent, and the music industry was spurred to mount a series of aggressive, international legal attacks on web-based, peer-to-peer file-sharing systems such as Napster and Kazaa; developers and users of file-sharing networks and applications were the target of criminal and civil lawsuits by bodies such as the Recording Industry Association of America, representing music copyright stakeholders. And yet as the flow was dammed in one place, it spilled from somewhere else.

Entertainment industry analysts argued that the crackdown was actually hastening the decline of the CD: "The prepackaged CD, without a shadow of a doubt, is over the hill," one analyst, Phil Leigh, wrote, "and it's all downhill from here on." Reports from North American record stores supported his opinion: in 2005, the sale of blank recordable CDs outpaced that of recorded CDs, evidence that computer users were not only downloading songs, but creating their own compilations and playlists – in effect, customising them – then burning them onto CDs, presumably to distribute free to others.

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The phenomenal growth of a single product, the iPod, manufactured by the niche computer hardware and software developer, Apple, further underscored the futility of the recording industry. In 2005, around 20 per cent of the U.S. market had adopted one or other of the iPod range as its MP3 player of choice. Nearly all iPod users downloaded music purchased through Apple's online store, iTunes, which accounted for 70 per cent of the U.S.A.'s commercial download music market. 23.5 million iPods were predicted to be sold worldwide in 2006, according to an analyst at the N.Y. investment house, Needham & Co., with as many as 100 million Microsoft Windows users – Windows being, by far, the dominant operating system on PCs around the world – owning an iPod device by 2008.

And it wasn't just music. In 2005, the cinema business experienced the longest slump in its one-hundred-year history, with theatre admission declining by 10 per cent on the previous year over a 19-week period, and revenues slipping seven per cent. Even DVD sales, the strongest revenues for major Hollywood studios, were showing signs of vulnerability. Consumer spending on DVDs in the U.S. had increased 71 per cent between 2001 and 2002, but it had increased just 17.5 per cent year-on-year in 2005, with the bulk of these sales supported by the release of old television series – without them, total sales growth would have been in single digits.

Just as TV had spawned the VCR and the DVD player – resulting in video in various formats overwhelming Super 8mm celluloid film as the standard for home movie cameras – the web spawned an even greater and more complex array of devices, from palm-top personal organisers, digital still and video cameras, and iPod and other MP3 music players that linked to a PC, to free-standing game consoles that connected to the web through ADSL, cable or wireless and set-top boxes that delivered interactivity to digital TV broadcasts. Worldwide, a now billion-fold audience was digital.

It was at this point that the 'technological singularity' appeared to kick in. Curious paradoxes became apparent. The global market experienced a boom in video gaming, with revenues growing in the U.S. market alone from $US4.4 billion in 1997 to $US7.5 billion at the beginning of 2005. Yet the more mature and sophisticated Japanese market, in which two of the three most dominant game platforms, Nintendo and Sony were developed, gross hardware and software shipments fell 38 per cent from a 2001 high of $US13 billion to just over

$US8 billion in 2004, a disturbing sign of audience burn-out in the world's largest gaming market. And although the release of Sony's PSP, a portable game console that could also accommodate music and video downloads, and the development of Nokia mobile phones that targeted the iPods' dominance of the music and image download market, appeared to create both acute competition and platform conflicts in a fast evolving global market for 'rich media' mobile devices – devices that appeared not only to usurp all the functions but also match the advantages (such as faster data transfer speeds, more processing power, or better image resolution or audio quality) of much larger, home- or office-bound, hard-wired devices – there was still substantial commercial and consumer investment in broadband infrastructure, fixed, set-top digital devices, larger, high definition screens and a range of interactive capabilities. All the latter seemed counter-intuitive after a half-decade of persistent declines in ad revenues for 'traditional' broadcast and cable TV.

"More money for less audience," was how disgruntled ad executives viewed it. Still, at a conference entitled *Mapping The Future Of Screened Advertising Delivery*, organised in June 2005, by the Screen Producer's Association of Australia, the CEO of a leading ad agency argued that the answer to promoting brand or product awareness among broadcast TV's diminished and ever more distracted audience was "better creative".

In other words, 'better creative' had nothing to do with it – just as it had less to do with the programming that advertising funded. In the early years of 21st century, TV's emphasis was on 'reality' and the premise that ordinary people interacting or competing in unlikely environments, unscripted, made for more compelling viewing, at much lower cost, than any fictional narrative. It was the first sign that the context of popular culture was moving away from the imagination towards information.

It was also very clear that 'old media' producers, distributors, advertising agencies or corporate marketers had yet to recognise that their control of programming had been wrested from them by the audience, the consumer, who would decide what, when, how, and where they would read, watch or listen. Moreover, these decisions were entirely individual, and impossible to predict.

4.

AMIDST THE EVER-MORE-RAPID development of new devices, applications and environments, each of which further fragmented the attention of the incoherent 'mass', the functional divisions between media – data storage and transfer, applications, information, promotion, communication, transaction, and entertainment (in all its forms, both passive and interactive) – were so blurred as to be of no real relevance. Any attempt to make sense of what was happening now in an effort to predict what might happen next, was doomed.

As Mark Pesce, a lecturer in interactive media at the Australian Film, Television and Radio School, and the inventor of Virtual Reality Modelling Language (or VRML), an early standard for 3D on the Internet, saw it, the root of the singularity we had arrived at "is not a technological event, per se, it is a linguistic-memetic event. It is linguistic in that it is centered on human communication; it is memetic in that it involves the communication of ideas."

"Just as genes propagate themselves in the gene pool by leaping from body to body via sperms or eggs, so memes propagate themselves in the meme pool by leaping from brain to brain via a process which, in the broad sense, can be called imitation."

A *meme* was defined by the British ethologist, Richard Dawkins, who first used the word in his 1976 book, *The Selfish Gene*, as "a unit of cultural transmission, or a unit of imitation."

"Examples of memes are tunes, ideas, catch-phrases, clothes fashions, ways of making pots or of building arches," Dawkins explained. "Just as genes propagate themselves in the gene pool by leaping from body to body via sperms or eggs, so memes propagate themselves in the meme pool by leaping from brain to brain via a process which, in the broad sense, can be called imitation."

As Pesce elaborated, "The modern mass media have been, to this point, the most efficient systems yet created for the communication of a meme to a mass audience. They are purveyors of memes, retail and wholesale. Yet every meme we're exposed to changes us; that's why advertising campaigns become obsolete so quickly. It's also why MTV has stayed on top for so long in such a fickle market: it mutates its own creative DNA as fast as any flu virus. Every mutation adds another base pair to the memetic code within us, but this isn't junk DNA. It's alive and vital, and forms part of our cultural-linguistic-memetic history."

"The driving force of this history for the past century has been mass media; but you can only add so many rules to a system before it starts displaying non-deterministic behaviour. You can't just plug in an input and expect an output, not anymore. Instead, these systems of rules, as incorporated ontologically by the mass audience, are producing new systems, which lie outside the comfortable zones promoted by mass media."

5.

HOW IRONIC IT WAS that just as the audience took control of 'mass' entertainment and advertising media content, it lost its once tight grip on the privacy and confidentiality of its individual information. The array of personal data that accumulated during the course of every life was now irretrievably in the public domain, grist for the mills of government and commercial data-processing, news media, and even neighbourhood curiosity.

Information, interaction and transaction on the web transformed audience/consumer expectations in the last years of the 20th century, but it also radicalized traditional attitudes to privacy. If the context of popular culture was information (and the ability to access it, if only to evolve pat, media-inspired responses to it – such as "vote them off the island!"), then it was inevitable that commercial interests would want to participate in it.

As the French philosopher, Jean Baudrillard, pointed out with a measure of cynicism, "Information can tell us everything, it has all the answers. But they are answers to questions we have not asked, and which doubtless don't even arise."

For years, the most personal information of consumers of every age in the developed world had been assembled in dossiers with their names on them – not just by the government (which opens a file on each of us on the day we are born) but by commercial interests which daily trawl terabytes of cross-referenced data, on- and offline, to input into their computerised customer relationship management systems with the aim of being able to better 'personalise' their products or services to individual requirements. Banks, credit providers, telecommunication companies, internet and pay-TV providers, large retail groups (through their customer discount cards), online retailers, automotive manufacturers, software companies, travel agencies, airlines, hotels, doctors, hospitals and chemists – all maintained detailed

The array of personal data that accumulated during the course of every life was now irretrievably in the public domain, grist for the mills of government and commercial data-processing, news media, and even neighbourhood curiosity.

records of our interactions with them that, when enhanced or 'overlayed' with information acquired from other commercial and government databases (including records of property sales or rental contracts, vehicle registrations, employment histories, criminal records, and so on), became intricately detailed biographies that were disturbingly invasive, if not always accurate.

Direct marketers, particularly, made an art form out of interpreting data from such 'touch-points' as contests, online registrations, product warranties and surveys, to develop 'characterisations' of individual consumers. These ranged from the physical (race, age, height, weight) and the social (address, income, education, employment history, family status, telephone usage, entertainment preferences and vehicle ownership) to the ethical and psychological (religious beliefs, political inclinations, contributions to charity, volunteer work, social aspirations and criminal records). Once this information, and more, was distilled, marketers could determine what kind of product or service a consumer was looking for, how best to communicate with that consumer and what would be most likely to prompt a positive response from them.

Hundreds of millions of us were, and still are, being scrutinised this way all the time, as well as if we travelled or used online services, in more than one country. We cooperated with it because we lived within an ecology that was sustained by information – literally, data swirled in the ether around us, as much a part of our existence as oxygen – and within a very short time, less than a decade, we grew to accept that it was almost part of our social contract to contribute to it and to distribute it.

As the famed Canadian science fiction writer, William Gibson (who invented the word 'cyberspace'), wrote, "It's impossible to move, to live, to operate at any level without leaving traces, bits, seemingly meaningless fragments of personal information."

The move to connect the human to the computer more directly, to obviate the need for human interaction, was neither gradual nor covert. Uniform standards for government-issued identification documents – from passports and drivers' licences to national ID cards – proposed bio-metric data in addition to photographs, birth dates and physical descriptions, as well as *radio frequency identification*, or RFID – which used the electromagnetic or electrostatic coupling of the radio frequency portion of the electromagnetic spectrum to transmit data from a miniature transceiver and transponder.

By 2005, RFID was already tracking the movement of merchandise in and out of major American and European 'box store' chains. More robust, adaptable and communicative than bar codes, RFID provided richer data about the movement of specific items not only in-store but after purchase, outside it. When linked to credit information acquired at the time of purchase – through data stored on a credit or store card – this data enabled a retailer to build an intimate picture of an individual buyer. RFID – and satellite *global positioning system* (or GPS) locators – were finding their way into cars, mobile electronics, food, pets, corporate identification, drivers' licences, national passports, and even people, as data management became something of a societal fetish, encouraged not just by commerce but by government concerns for security. RFID and closed circuit television monitoring, enhanced with facial and situational recognition software, were ubiquitous in our cities and suburbs.

It was only a matter of time – less than half a century – before the logical 'next step' of allowing our digital identities and key records, as well as our means of transaction and communication, to be embedded within our human 'wetware'. It became more feasible as computer processing moved from silicon to optical, and the architecture of artificial neural networks – simplified (and relatively slow) emulations of the connections of the human brain previously used for investigating learning and self-organisation within an artificial environment – was adapted to enhance local government management systems and commercial services. An artificial neural network had the ability to 'learn' from a collection of examples, and it had been used in the past to model behavioural and other patterns. Now it operated in real time, mining and processing data from an intricate matrix of millions of interactions and transactions a minute to anticipate needs or problems.

"It's impossible to move, to live, to operate at any level without leaving traces, bits, seemingly meaningless fragments of personal information."

Our wetware, our subdermal processing and communication capacity, was itself overlayed by 'smart' clothing, the RFID tags that continued to manage them as 'living inventory' now joined by processing power and even graphical user interfaces that could be utilised by the wearer. Colours were no longer fixed but chameleon-like, and were adaptive to the environment and personal preference;

We might evolve as nothing *more* than neural networks, in which humans would take the part of neurons. And just as a neuron cannot possibly comprehend its role in the brain, so humans could hardly expect to grasp their individual roles in the greater 'mind' of which they are a part.

minor damage, such as small tears or loose threads, were repaired instantly by microscopic nano-technology embedded within the fibres so that the fabric was no longer inanimate but almost a living organism.

Remote communication, until recently managed by telephones (how archaic that word sounded even in the first years of the 21st century – like 'record-player' or 'video cassette') or email, was now embedded within our clothing or accessories and responsive to individualised voice commands. The 'flat' screen, which had prevailed as the dominant paradigm of visual communication from the invention of silent movies right through the evolution of television, desktop computing and wireless mobile devices, had finally given way to holographic, 4D displays. First generated as animated images and data that 'floated' within transparent polymers, they had, over time, become independent of a surface of any kind and

were perceived, if not yet actually generated, as organic, interactive assemblages derived directly from the pervasive data of the artificial neural network.

The most convincing beta version of 'embodied' data was probably first seen in the late 1980s. An American former senior executive at Sony told the story of having flown from Los Angeles aboard a corporate jet with a small group of other American Sony executives to a secure Sony research and development facility in Japan. Arriving in the evening, they were escorted immediately from the facility's airfield to meet Sony's late chairman and co-founder, Akio Morita.

Morita's office was comfortable but unassuming, and as they entered it, Morita himself waved them towards armchairs arranged around a low coffee table at one end of the room. He remained at his desk. Once the executives were seated, Morita launched into a low-key monologue in halting English about the company's upcoming products and current financial outlook. Curiously, when he had finished, he stood up and said, "Well, gentlemen, that concludes my demonstration." To their astonishment, he evaporated before their eyes.

At the same moment, the door to the office opened and Akio Morita walked in, his hand extended towards his guests. The 'other' Akio Morita had been a hologram, generated from a football field-sized laboratory in a nearby building. None of the executives had realised it. "It will take us at least another 20 years to reduce the technology to the size of a VCR," Morita told them later.

But he had demonstrated that the virtual and the real had become indistinguishable.

In his 1997 book, *Darwin Among The Machines: The Evolution Of Global Intelligence*, George Dyson, son of the pioneering astro-physicist, Freeman Dyson, first suggested that human societies might evolve as nothing *more* than neural networks, in which humans would take the part of neurons. And just as a neuron cannot possibly comprehend its role in the brain, so humans could hardly expect to grasp their individual roles in the greater 'mind' of which they are a part.

"[It] is presumptuous to assume that artificial intelligence will operate on a level, or a time scale, that we are able to comprehend," Dyson wrote. "As we merge toward collective intelligence, our own language and intelligence may be related to a subsidiary role or left behind. When the brass head speaks, there is no guarantee that it will speak in a language that we can understand."

Dyson's dark vision recalls one of his father's more famous observations. "When the great innovation appears," Freeman Dyson said, "it will almost certainly be in a muddled, incomplete and confusing form. To the discoverer himself, it will only be half-understood; to everybody else it will be a mystery. For any speculation which does not, at first glance, look crazy, there is no hope."

6.

FOR A TIME, during the last years of the 20th century, it appeared that we might be on the verge of a new Renaissance with the evolution of the Internet as a knowledge library and distribution system, as an unconfined system of communication and transaction. A fast-evolving range of powerful hardware and software inspired a variety of intriguing collaborative experiments between creative, speculative, scientific and entrepreneurial minds. Virtuality became not just a definition of a digital visual environment but of a state of mind with infinite possibilities.

Despite the 'bubble' of over-optimism that fuelled stock-market speculation in anything Internet-related, big business remained sceptical for nearly a decade. "The Internet is just another medium of communication," more than one leading CEO was quoted as saying, ignoring stark evidence that if nothing else, the Internet had instilled an expectation of instant response among consumers that was already redefining every aspect of business, from communications and transactions to customer relationship, supply chain and inventory management. Moreover, connection to the net was soon so intuitive and ubiquitous – as well as being mobile, wireless, and compact – that it became the basic platform for nearly everything: more than just a 'medium of communication', or of information and entertainment, it was the foundation of a new economic, social and political order. Everything – even, it seemed, the most concrete matter – could be reduced to packets of data to be stored, analysed, enhanced, commoditised.

Or appropriated. With digitalisation – the reduction of 'hard copy' to mere data – concepts of ownership that had been intrinsic to developed societies since the Middle Ages began to unravel like lines of corrupt code.

Of course, it was going on at least a couple of decades before the birth of the World Wide Web. The very minds that would create the framework of a networked 'information society' were already cutting their teeth on reconfiguring proprietary

operating systems and deconstructing applications. 'Borrowing' intellectual property and using it as the foundation upon which to create something different was part of the bedrock of a technological subculture – characterised as 'geek' – that thrived on a sense of intellectual superiority and the notion that just because something could be done, it *should*.

The rapid evolution of the web, particularly in the last years of the 20th century, was, in part, driven by the scant regard many technology designers and developers had for anything proprietary – whether it was an operating system, an application or a network – and it was, perhaps, inevitable that as a global, computerised, public network grew in scale and speed, the ideas they came up with to exploit it would be based on 'open systems' likely to trespass upon, or subvert, relatively fragile constructs such as intellectual property protection. Indeed, the web itself was originally conceived and designed to be completely open, free, and just as its diverse resources and functionalities revolutionised a common expectation of instant gratification among its huge user base, they also encouraged a sense of entitlement. Communications, research and reference tools, text documents, press media, audio and video entertainment, software applications, financial, governmental and other services – all were now available 24 hours a day, seven days a week, at costs far below those in the 'real world'. But consumers wanted them for nothing.

> "When the great innovation appears, it will almost certainly be in a muddled, incomplete and confusing form. To the discoverer himself, it will only be half-understood; to everybody else it will be a mystery."

Aggressive policing of file-sharing on major ISPs and educational networks resulted in the unseemly spectacle of media and software giants suing segments of their already dwindling audience for downloading and sharing unlicensed music, video and software, forgetting that the rights they were trying to enforce were a relatively new and mutable concept, despite the reassuring, boiler-plate terms of their licensing agreements with their reliance on once unambiguous laws. Other businesses were also forced to deal with an indefinable shift of value, both economic and ethical, that had occurred when the digitalisation of their products caused them to be, somehow, stripped of substance. No longer packaged and warehoused, reduced to nothing more than binary code, distributed less through retailers and

We are beset by information fatigue, an inevitable and exponential side effect of always being immersed in the data flow, and harassed into inattention by the buzz of a media-saturated life.

other intermediaries, it was harder to argue even to technology-savvy consumers that they were 'product' at all.

As for the creators and inventors of the underlying intellectual property of these virtual products, they had to re-think how they might exploit their authorship in a system that was no longer able to guarantee them a 'per unit' royalty on the licences they granted – or, increasingly, didn't grant – to manufacturers, publishers or distributors of this property. Traditional value sets were upended: for example, rarity was no longer valued over ubiquity. And originality was irrelevant: everything was a potential donor of digital DNA that took less than a millisecond to extract and replicate, and mutate it into something not quite new. In media, at least, creative output was no longer necessarily a source of revenue in itself, but simply the driver for an increased public awareness that might be leveraged for financial advantage. There was a return to patronage, with 21st century corporations taking the place of 16th century princes and popes.

Of course, in a digital environment, there was no reassurance of protection, and no means to sequester, let alone secure, a right or licence. For every virtual barrier that was conceived to defend a product, environment, or service, there was a swarm of 'hackers', all armed with better software, faster networks or enhanced devices, who were dedicated to over-running it, then rendering it useless. Ownership in the virtual space was always moot.

Even ownership of one's self. At the beginning of the 21st century, successive governments in the developed world exploited the perceived risks of global terrorism to legislate their citizen's rights to privacy and confidentiality out of existence, and worked with the private sector to integrate all sources of personal data into fewer but much bigger databases, with omnipresent and multi-national points of input and access. With the erosion of the concept of privacy, not just by government but by private data processing companies in less vigilant jurisdictions like India, Eastern Europe, and South East Asia, our most personal information became, like many forms of intellectual property, just a constant torrent of data that could be appropriated, added to and traded in a variety of forms to hundreds of thousands, even millions, of potential clients around the world, an entirely different and arguably more profitable form of file-sharing conducted by corporate entities and preying on the diminished rights of the individual.

Paradoxically, the alliance of technology and capitalism had spawned a peculiarly digital version of socialism in which ownership of anything that was carried in the ether of an open network was communal. Another paradox was that the development of a societal acceptance of pervasive and often intrusive data-mining and monitoring coincided with the emergence of an obvious inherent unreliability: in an information economy modelled on individualised profiles that were founded largely upon our own constant input and customisation, there was no longer simply a single virtual dossier for each of us. Our virtual selves were several, and each was an amalgam of data, derived mostly from random, third-party trawls through thousands of disparate pools. Each was riddled with anomalies, contradictions, or errors that devalued even the most attentively redacted file: which meant that when certain data was eventually embedded in our bodies, and transmitted and tracked via RFID, elements of fiction were hard-wired into our reality.

At the beginning of the 21st century, successive governments in the developed world exploited the perceived risks of global terrorism to legislate their citizen's rights to privacy and confidentiality out of existence

Not surprisingly, when glitches became apparent, they could be as amusing as they were disturbing: in 2004, a six-month-old child was prevented from boarding a cross-country flight at LAX airport, Los Angeles, because she was suspected of ties to a terrorist organisation; and another, a one-year-old, because he had a felony record.

What appeared to governments and corporations to be an orderly world of aggregated and closely monitored personal data was actually chaos. Like the unsteady financial systems of the early 20th century, it represented a grave potential risk to everything – especially democracy (which, increasingly, was exercised digitally) and commerce – that relied upon its integrity. While politicians, civil servants, and corporate executives focussed on obvious flaws and felonies, such as the theft of hundreds of thousands of identities, credit card numbers, and bank account information from major financial institutions, such as Bank of America and CitiFinancial, as well as losses of employee data at Time Warner and LexisNexis – all of whose firewalls and data protection appeared to be no match for the hacking skills of, say, an average high school computer major – they did not begin to consider

how much more dangerous it could be to ignore the proliferation of a complex web of multi-national transactional relationships populated by thousands of false or replicated identities that they had helped to create.

7.

"I DON'T THINK we can use any known human language to describe the world of 50 years from now," Mark Pesce has said. "A 'singularity' is just that – where all models of prediction fail utterly, and the results become ridiculous, meaningless."

"It's better to err on the side of daring than on the side of caution," the American author and sociologist, Alvin Toffler, declared about the future scenarios he outlined in a series of widely read, non-fiction books. In 1970, at the end of a decade in which the impulse to predict the future felt urgent, Toffler's best-seller, *Future Shock*, described "the distress, both physical and psychological, that arises from an overload of the human organism's physical adaptive systems and its decision-making processes. Put more simply, future shock is the human response to over-stimulation." But what we see today as the effect of fast-accelerating technological development is not distress but indifference. 110 years after Marconi transmitted his first telegraphic signal, we are beset by information fatigue, an inevitable and exponential side effect of always being immersed in the data flow, and harassed into inattention by the buzz of a media-saturated life. Instantly accessible everywhere, all the time, there is no escaping the spasm-like reflex to access it constantly, to channel surf, to maintain simultaneous connections, but with all this information filling up so much of our cognitive bandwidth, our minds have simply run out of space.

There is no clarity, no substance in the relentless torrent. Even when something does elicit our attention, it is fleeting. Eventually it fades into the ambient white noise, and dissatisfied, we move on quickly to the next thing.

Over time, as we lose the intellectual, temporal and physical space to reflect, we might lose the ability to imagine, to conceive. We are already losing the ability to think for ourselves. We leave it to our machines, denying Toffler's contention, in his 1980 book, *The Third Wave*, that, "Society needs all kinds of skills that are not just cognitive; they're emotional, they're affectional. You can't run the society on data and computers alone."

Yes, you can. What if we are not, after all, the planet's alpha-organisms, but just the source code for a superior, combinant biology? As George Dyson observed in 1998, "we are still immersed in the metaphor of 50 years ago, the computer as brain, the brain as electrical network, but we are working towards an understanding of computing derived from molecular biology, when we start to see the digital universe less as an electrical switching network or giant computer and more as an environment swimming with different levels of code." From this, it might be just a small step to accepting the possibility of a new and arguably more intelligent and adaptable silicon/carbon human that exists as the interface for, and is indistinguishable from, an environment that is at once biological and virtual.

That could well be humanity's apotheosis – and its doom.