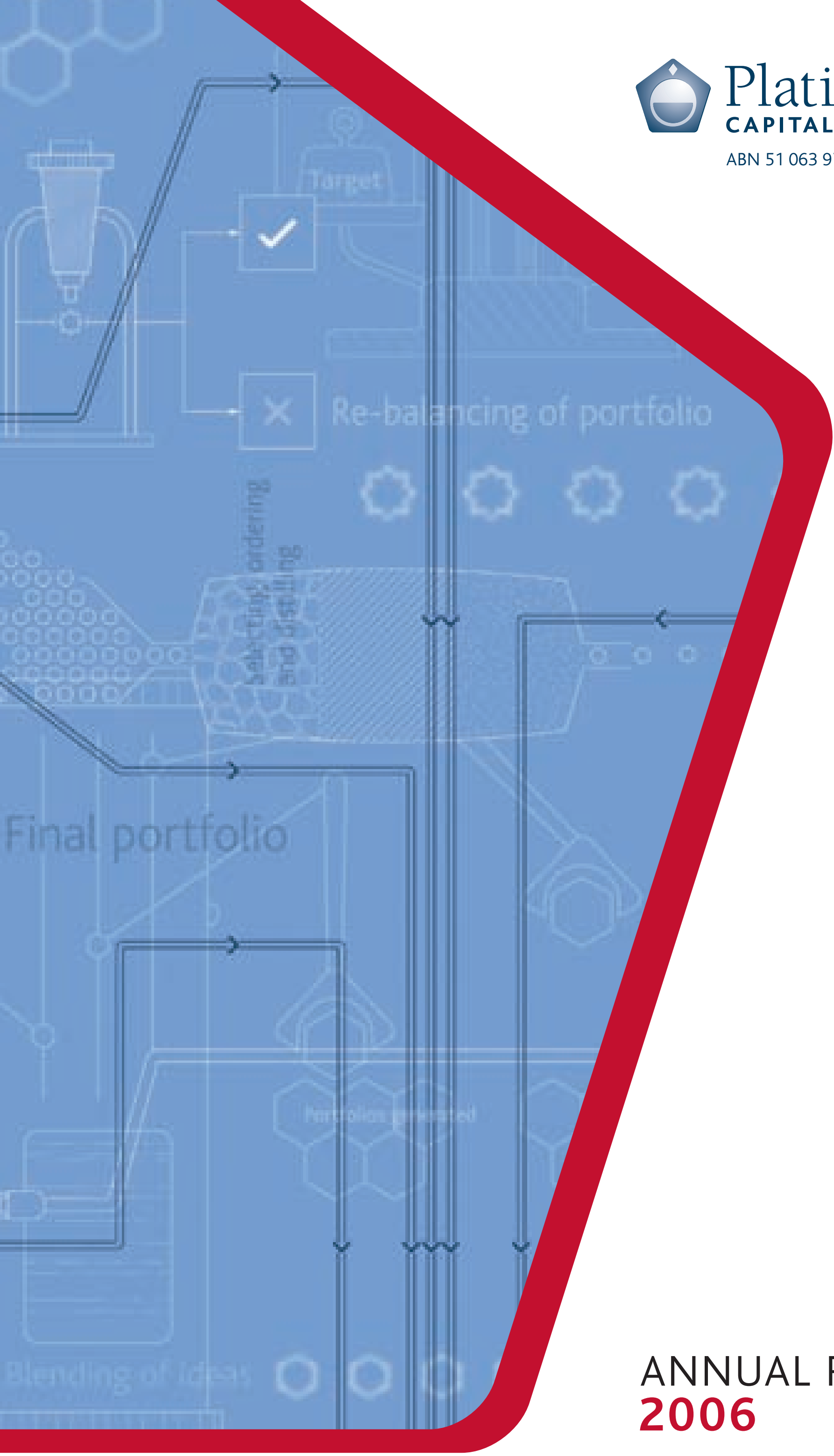


Platinum® CAPITAL LIMITED

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
Level 28, Deutsche Bank Place
Corner of Hunter and Phillip Streets
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.

The cover features a montage of elements from Platinum's Investment Process Diagram. For a more detailed look at Platinum Asset Management's Investment Process, we would encourage you to visit Platinum's website at the following link: www.platinum.com.au/invest_diagram.htm

ANNUAL REPORT 2006

CONTENTS

CHAIRMAN'S
REPORT 2006

INVESTMENT PERFORMANCE

Platinum Capital's performance in the 12 months to 30 June 2006 was commendable. During the year, the net asset value increased by 26.0% pre-tax and by 18.8% after allowing for all tax liabilities both realised and unrealised. For a comparison the benchmark Morgan Stanley Capital Index rose 21.1% for the 12 months.

The long term results are more than satisfactory. Since its inception in 1994 the compound annual appreciation of the Company's assets on a pre-tax basis has been 17.1% compared to the return from the MSCI of 8.0%. The comparable return from the Australian All Ordinaries Accumulation Index has been 12.3% annually over the 12 years.

PLATINUM CAPITAL LIMITED – PRE-TAX NAV RETURN VERSUS MSCI INDEX (%)

	1 year	3 years (compound pa)	5 years (compound pa)	Since inception (12 years) (compound pa)	Since inception (cumulative)
PCL	26.0	16.4	11.9	17.1	567.0
MSCI*	21.1	13.8	-1.4	8.0	152.8

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

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.

CHAIRMAN'S REPORT
continued

CORPORATE GOVERNANCE – INTERNATIONAL ACCOUNTING STANDARDS

This is the first Annual Report prepared under Australian International Financial Reporting Standards.

Both this and the previous years' figures have been prepared using the new standards.

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 Financial Reporting Standards.

OUTLOOK FOR 2006 – 2007

The report by the Manager is broadly optimistic. "The Portfolio is well diversified and we are continuing to find new prospects that should grow under most circumstances and yet are attractively priced". There is a caveat. In the Manager's words, "Overall the dangers in markets weigh slightly heavier on us than the opportunities. The recent sell-off reflects the rising cost of capital and the reappraisal of risk. It is, however, still too early to say that inflation will rise to levels that damage the valuation of equities".

FINALLY

The Manager's report is worth careful reading. It is a valuable insight into the thought processes and depth of analysis behind the investment decisions made by Kerr Neilson and the team at Platinum Asset Management.

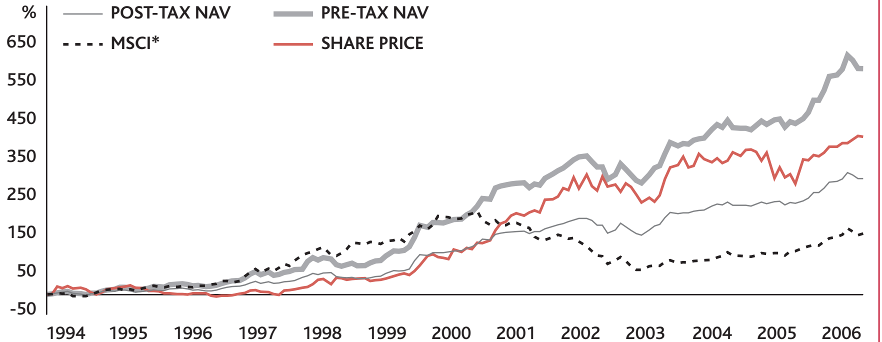
Once again I would like to express my sincere appreciation of the efforts of the Manager along with those of my fellow Directors.

Graeme Galt
Chairman

INVESTMENT MANAGER'S REPORT 2006

INVESTMENT MANAGER'S REPORT

PCL NAV (PRE AND POST-TAX), SHARE PRICE VERSUS MSCI INDEX (CUMULATIVE RETURN SINCE INCEPTION)



* Morgan Stanley Capital International All Country World Net Index

Source: Platinum and Factset

PERFORMANCE

A sudden surge of fear flooded markets during the last quarter of the year washing away a lot of previously untroubled confidence. The most punished markets in the sell-off were those that had risen the swiftest. Fortunately, we had become concerned earlier about the uninhibited enthusiasm for the higher-risk emerging markets and had reduced holdings in and introduced shorts against both the Indian and Korean indices. To our disappointment, the US small cap index and the Russell 2000 index sold off relatively sedately so our shorting of these gave us less protection than we had hoped.

As you will be aware, we have been puzzled by the historically rare experience of the lesser quality and smaller companies being priced at large premiums to their historic ratings and being expensive against large, superior companies. We anticipate that the end of the bull run will see small, illiquid companies significantly under-performing the large capitalisation stocks. Running defensive shorts throughout 2005/06 unavoidably involved a cost but nonetheless, the Company gained 26% pre-tax for the year even after a negative last quarter of 4.8%. By way of reference, the MSCI rose by 21.1% over the last 12 months and also fell by 4.8% in the last quarter.

Areas of activity that are sensitive to growth remained investors' favourites, particularly materials, energy, and industrials. Out-of-favour segments were health care, information technology and telecoms. Not surprisingly, it is in these depressed areas that we are now finding the more interesting prospects.

MSCI WORLD INDEX INDUSTRY PERFORMANCE (AUD)

Sector	Quarter	1 Year
Materials	-3%	45%
Energy	-1%	31%
Industrials	-5%	27%
Financials	-5%	26%
Utilities	1%	21%
Consumer Staples	-1%	17%
Consumer Discretionary	-6%	15%
Telecommunications	-3%	11%
Information Technology	-12%	11%
Health Care	-5%	10%

Source: Factset

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

30 April 2006	31 May 2006	30 June 2006
175.10	171.18	171.15

Source: Platinum

INVESTMENT MANAGER'S REPORT

continued

CURRENCIES

The quarter was characterised by US$ weakness but also accompanied by a sell-off of several emerging country currencies as questions of growth and risk became prevalent. It is interesting that these concerns did give more support to the US currency as money was channelled home. Our positions were left unchanged, with very little exposure to the US$.

SHORTING

We did creditable work in closing some of our emerging market shorts close to the bottom of the decline. As mentioned earlier, however, we were disappointed at the persistent commitment of investors to the smaller stocks in Wall Street. From top to bottom these declined by no more than 14%, not really all that much greater than the S&P 500 index fall of 8%. There will always be an "insurance premium" cost to running defensive shorts in what is judged to be an overvalued but turns out to be a still rising market. Over the full twelve months our shorts have not paid off, even though they were concentrated on the US which we were right to identify as the least attractive area. Stocks in America have typically risen by only one quarter to one half as much as those in the UK, Europe or Japan.

CHANGES TO THE PORTFOLIO

GEOGRAPHICAL DISPOSITION OF PLATINUM ASSETS

Region	June 2006	March 2006
Japan*	26%	29%
Western Europe	26%	28%
North America	23%	22%
Emerging Markets (including Korea)	13%	15%
Cash	12%	6%
Shorts	34%	37%

* The Company also has a 10.3% short position in Japanese Government Bonds

Source: Platinum

Rather than going through all the changes made during the year, many of which have been discussed in previous quarterly reports, we summarise below the main changes during the fourth quarter. Early in the quarter we sold down/out of some long held positions such as Novozymes, Douglas and Metso in Europe; ITC in India; and Lotte Confectionery and Kangwon Land in Korea. In Japan we exited the last of Canon, Nintendo and Dai Nippon Printing, and reduced the housing holdings, Daiwa House and JS Group.

As the sell-off steepened we were able to re-establish holdings in economically sensitive companies like JGC (hydrocarbon and petro-chemical plant builder), Yokogawa Electric (automation controls and IC testing equipment), as well as adding to NEC, Hitachi and Mitsubishi Heavy Industries. These stocks had declined by 20% or more, as had Alcatel and Ericsson in Europe to which we also added. Given the prospect of the return of pricing power now that the Japanese economy is growing consistently, we have introduced to the portfolio food manufacturers such as Yamazaki Bakery, McDonald's and Ajinomoto which we believe will produce favourable earning surprises after years of disappointment.

Two significant new additions in North America are Bombardier and El Paso Corp. The former is an interesting amalgam of transportation businesses which has been built by the entrepreneurial founding family from its origin in snowmobiles. Following a path of clever acquisitions, Bombardier has built world leading positions in rail and regional and business aircraft. There have, unfortunately, been missteps which resulted in a precarious balance sheet and a fall from grace as the once-loved Canadian national champion. Our analysis indicates that the company has rectified its finances and is now being too narrowly classified as a regional Jet manufacturer. The rail business is about to benefit from both its internal restructuring and renewed investment in rail transport following increased energy costs, perceived pollution problems and undeniable road congestion.

El Paso (energy transmission and production) is a similar fallen favourite, having been too close to its Houston neighbour Enron. The value of its pipeline business is undiminished and now that the company has addressed its gas field development strategy, it is well positioned for continuing tight energy markets.

BREAKDOWN OF PLATINUM'S LONG INVESTMENTS BY INDUSTRY

Categories	Examples of Stocks	June 2006	March 2006
Cyclicals/Manufacturing	Toyota Industries, Schindler, Siemens, International Paper	28%	30%
Financials	Credit Agricole, Sumitomo Mitsui Insurance, Samsung Fire & Marine	14%	16%
Retail/Services/Logistics	Hornbach, Carrefour	9%	10%
Technology/Hardware	Infineon Tech, Samsung, Sun Microsystems	8%	10%
Consumer Brands	Henkel, Beiersdorf, Pernod Ricard	7%	7%
Software/Media	Liberty Media, News Corp	7%	6%
Telecoms	Alcatel, SK Telecom, Ericsson	6%	6%
Gold and Other Resources	Shell, Barrick Gold, Newmont Mining	6%	5%
Medical	Pfizer, Merck & Co	3%	4%

Source: Platinum

COMMENTARY

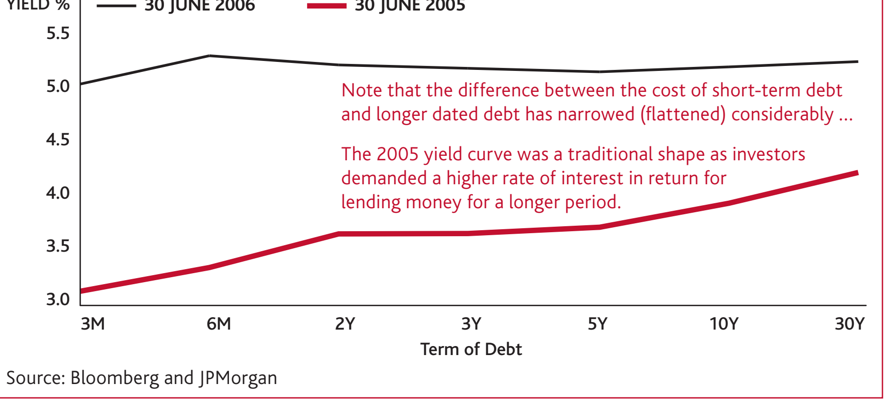
The complacency we noted last quarter received a jolt in May as market participants paid greater attention to the rising cost of money and to the actions of the Bank of Japan in rapidly reducing the availability of reserves to that country's banking system.

The sell-off which accompanied the above may have been no more than a temporary reverse. It is certainly true that there are still many positives, including the broader base of world economic growth; the widespread acceptance of the capitalist model; record levels of corporate profits world-wide; valuations that are compatible with prevailing circumstances and specific investment opportunities that seem to offer growth longer term.

It does, however, appear equally true that the pressure on interest rates is now unequivocally upwards, that an extended era of almost untrammelled monetary expansion is coming to an end, and, perhaps most importantly and least understood, that world financial markets are both highly geared and unusually exposed to high risk assets.

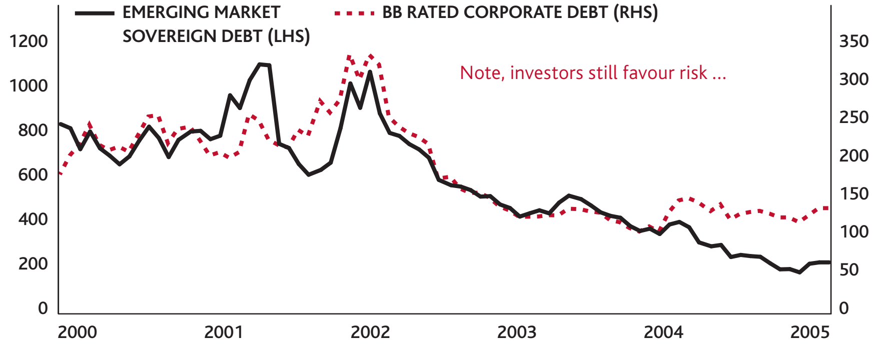
Most commentators are focusing on the US Federal Reserve Board and the consensus is that the scope for further interest rate rises in that country is now limited. It is our belief, however, that equally important will be the actions of the Bank of Japan, European Central Bank and maybe Bank of China. A worst case scenario would be for rate rises to become competitive, possibly in the context of currency turbulence. Since the 1990s the world has experienced a series of separate but almost consecutive episodes of monetary infusion, each designed to cope with an earlier problem eg. the bursting of the Japanese asset bubble, the excessive foreign debt by Asian countries in the late '90s, the unravelling of the tech boom in 2000 etc. Unlike in earlier times, this force-feeding of money did not result in general inflation, partly because of

US YIELD CURVE – COST OF MONEY OVER TIME



Source: Bloomberg and JPMorgan

LEVEL OF RATES IN EXCESS OF US TREASURY BOND YIELDS REQUIRED BY INVESTORS



Source: Bloomberg and CSFB

melting demand in Asia and the former Soviet Union, exacerbated by massive "de-stocking". This was followed by an extraordinary supply shock of cheap and plentiful manufactured goods from the likes of China, which for a while looked like a deflationary pulse. These counter-forces have now gone, replaced by the "unmasked" demand for raw materials as former laggards, India, Brazil and Russia et al, helped by foreign investment, experience massively greater material prosperity.

The effect of these injections of cheap money has been a sharp rise of asset values and a falling risk rating attached to emerging markets. As property has lost some of its allure, the chase has headed after private equity funds and cunningly sculptured financial structures. These developments fit snugly into a dichotomous world which sees one group consuming excessively and another saving. In general, the savers are willing to hold sovereign-like debt while the consumers rejoice in spicier opportunities. Specifically this can be observed in the massive build-up of derivative activity and the intercession of investment banks to cater to both sides of this SEE-SAW: so-named because one side cannot be satisfied without the other facing elevated risk.

"Splicing and dicing" it's called. The investment banks have been ever more ingenious at putting together packets of assets and apportioning the returns between different classes of investment vehicles, primary debt, junior debt, straight equity and derivative related equity. By so doing, substantial leverage becomes possible although not without compromising the security of the equity holders. The banks have been greatly helped in this by State and other public sector privatisations which have provided relatively secure income streams to investors and finance to governments, relieving them from the immediate need to either rein in spending or increase taxes.

Through the debt, equity and derivative markets the banks have been creating a cascade of credit and derivative risks[1] that can multiply the size of the entity, and consequently the fees to the banks. These new entities, Real Estate Investment Trusts, infrastructure funds, and similar, have been very successful whilst interest rates have been low and stable. What will happen under more adverse circumstances remains to be seen.

The published accounts of six[2] of the top eight investment banks show balance sheet footings of some $US3.7 trillion, of which over half are long exotic and short plain vanilla debt.

Guessing at the investment banking component for Citigroup and JP Morgan, the top eight may have banking assets approaching $US5 trillion. By way of context this compares with the non-financial debt in the US of $US26 trillion – perhaps 40% of the world total. And recall, in their pure form these are banks

1 Luxembourg is much favoured in these opaque structures as it is renowned for facilitating really exotic splicing and dicing whereas the US favours the debtor. The amount of intellectual effort expended on what is the financial equivalent of recombinant engineering is breathtaking but ultimately the risk can only be shifted, not expunged.

2 Goldman Sachs, Morgan Stanley, Lehman, Merrills, Bear Stearns, Barcap.

GLOBAL MERGER AND ACQUISITION VOLUMES

Source: Bloomberg

without natural deposits and hence are highly vulnerable to the vicissitudes of the price and availability of money. Moreover, in terms of their investment banking attributed equity bases this presents gearing of over 30 times, which is wonderful for profits in favourable circumstances but who knows the consequences under stress.

Some may dismiss all this as financial evolution and innovation. It is the wide-spread nature of such opportunistic activity, however, which should ring alarm bells. Private equity funds have grown exponentially and together with hedge funds may now control assets in excess of $US1.8 trillion. Originally developed to provide finance to risky start-ups and to facilitate management buy-outs, private equity has become a world of its own. It is now common for some funds to off-load investments to other private equity funds instead of listing them in open markets: even hedge funds are said to be buying into private equity funds! In other instances natural buyers of long duration assets, such as pension funds, are being outbid by investment bank-led structured entities whose only apparent distinction is their affinity for higher debt leverage (and other people's money) to the extent that interest paid out has been known to be twice that of the operation's gross takings. These activities, together with the frenzied levels of corporate merger and acquisitions, see graph over, trumpet a highly mature bull market.

We believe there is scope for global growth even if, as seems likely, the rate of US expansion soon flattens out. Importantly, in Asia the consumer's use of debt is still modest. While India has benefited from a consumer credit driven expansion that process is yet to begin in China and may take up the running as investment plays a lesser role. The sophisticated exporters of the region, Japan, Korea and Taiwan, all look set for further growth even in the face of the deteriorating trend of export prices. Strangely, these have been dropping despite relatively strong volume off-take which augurs poorly for the exporters' profitability. Fortunately, the domestic economies still look healthy.

On the more micro level, we continue to be encouraged by the attractive valuation of quality companies versus their lesser rivals. While this recent de-rating of quality may portend a general reversion of profits to the mean, it nevertheless offers interesting opportunities on an individual stock basis. Some of our themes, such as agriculture and paper, may be early in their cycle but have large upside potential; the wait will, hopefully, prove worthwhile.

CONCLUSION

Overall the dangers in markets weigh slightly heavier on us than the opportunities. The recent sell-off reflects the rising cost of capital and the reappraisal of risk. We believe this is a change of trend. It is, however, still too early to say that inflation will rise to levels that damage the valuation of equities. It is not yet clear that the deflationary burden of excessive debt, by way of higher interest rates impinging on consumption in the Anglo-Saxon countries, will outweigh the upward pressure on prices caused by tight supply and continuing strong growth elsewhere. Either way, in the next few months recorded inflation should start to reflect the pent-up cost increases of raw materials.

Platinum's portfolio is well diversified and we are continuing to find new prospects that should grow under most circumstances and yet are attractively priced. We remain, however, uneasily aware of the danger of a further downrating of risk assets.

Kerr Neilson
Managing Director

INVESTMENT METHODOLOGY

Platinum Capital Limited is an investment company listed on the Australian Stock Exchange and open to investors who wish to purchase shares in the same way as one might buy shares in Commonwealth Bank or BHP. Platinum Capital is taxed at source and pays shareholders dividends (usually fully franked). This feature distinguishes it from unit trust products.

Platinum Capital delegates the investment function to Platinum Asset Management Limited. This entity employs an investment team of 23 staff who manage the investments of Platinum Capital. These are two discrete legal entities. As a shareholder in Platinum Capital you have no interest/ownership in Platinum Asset Management.

Platinum Asset Management's investment process has been well-tested over time. The principles on which it is based have not varied since inception although refinements continually evolve and develop.

Platinum Asset Management seeks a broad range of investments whose businesses and growth prospects are being inappropriately valued by the market. By using themes and an industry focus, the portfolio is built up through individual stock selection. Consideration of the macro environment as well as careful evaluation of how the stock will fit and function in the portfolio is also important.

By locating the research efforts together in one place Platinum Asset Management facilitates the cross pollination of ideas that is possible with the free-flow of information between managers with different geographic and industry responsibilities. It has the further benefit in that distance acts as a filter and calming influence enabling a more objective assessment of “noisy” markets. This process is well supported by carefully planned and extensive visits to companies and key areas.

The wealth of research and detailed analysis that lead to the consideration of a stock addition/retention/reduction in a portfolio take form in a disciplined reporting process that is open to the critical scrutiny of divergent thinking peers. This process serves to challenge and encourage analysts and to "test" the investment decision as well as add accountability to the process. Implementation of investment decisions is also given detailed attention as is the on-going review and monitoring of the portfolio.

The opposite page features a montage of elements from Platinum's Investment Process Diagram. For a more detailed look at Platinum Asset Management's Investment Process, we would encourage you to visit Platinum's website at the following link: www.platinum.com.au/invest_diagram.htm

FINANCIAL STATEMENTS 2006

Platinum Capital Limited

SHAREHOLDER INFORMATION

Substantial Shareholders

No shareholders appeared in the Company's Register of Substantial Shareholders, maintained in accordance with section 671B of the *Corporations Act 2001*, as at 2 August 2006.

Distribution of Securities

	Class of equity security
(i) Distribution schedule of holdings	Ordinary
1 – 1,000	866
1,001 – 5,000	4,592
5,001 – 10,000	3,171
10,001 – 100,000	2,984
100,001 and over	55
Total number of holders	11,668
(ii) Number of holders of less than a marketable parcel	188
(iii) Percentage held by the 20 largest holders	8.64%

Twenty Largest Shareholders

The names of the 20 largest holders of each class of listed equity securities as at 2 August 2006 are listed below:

	Number of Shares	%
RBC Dexia Investor Services Australia Nominees Pty Limited	1,219,284	1.00
Forbar Custodians Limited	1,064,329	0.88
Questor Financial Services Limited	976,089	0.80
UBS Wealth Management Australia Nominees Pty Limited	894,123	0.74
Cox Bros Coffs Harbour Pty Limited	800,000	0.66
Custodial Services Limited	683,071	0.56
Feboco Investments Pty Limited	562,448	0.46
Australian Executor Trustees Limited	555,932	0.46
Dr Russell Kay Hancock	554,950	0.46
Austair Pilots MBF Nominee Co Pty Limited	500,000	0.41
Questor Financial Services Limited	328,409	0.27
Queens Hill Pty Limited	324,019	0.27
NIZIN Holdings Pty Limited	300,000	0.25
National Nominees Limited	291,446	0.24
RBC Dexia Investor Services Australia Nominees Pty Limited	278,738	0.23
The Law Society of South Australia Legal Practitioners Guarantee Fund	244,000	0.20
KPT Pty Limited	243,770	0.20
Vichem Pty Limited	240,681	0.20
Sylvia Ann Havill & John David Hanning	216,640	0.18
Biogreene Pty Limited	205,960	0.17

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	26 October 2006
Ordinary Shares trade ex-dividend	1 November 2006
Record (books close) date for final dividend	8 November 2006
Final dividend paid	17 November 2006

These dates are indicative and may be changed.

DIRECTORS' REPORT

In respect of the year ended 30 June 2006, the Directors of Platinum Capital Limited (the Company) submit the following report made out in accordance with a resolution of the Directors.

Directors

The following persons were Directors of the Company during the 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 $34,464,000 (2005: net loss $2,034,000) after income tax expense of $14,425,000 (2005: income tax benefit $1,399,000). Both the current and 2005 net profit/loss figures reflect the application of Australian Equivalents to International Financial Reporting Standards (AIFRS).

Dividends

Since the end of the financial year, the Directors have recommended the payment of a 10 cents per share ($12,160,000) fully franked dividend payable to Shareholders on 17 November 2006.

A fully franked interim dividend of 5 cents per share ($6,032,000) was paid on 27 February 2006.

A fully franked final dividend of 10 cents per share ($11,883,000) for the year ended 30 June 2005 was paid on 18 November 2005.

DIRECTORS' REPORT
continued

Review of Operations

The operating profit before tax was $48,889,000 (2005: loss $3,433,000) and a profit of $34,464,000 (2005: loss $2,034,000) after tax. Income tax expense for the year was $14,425,000 (2005: income tax benefit $1,399,000). Both the current and 2005 operating profit/loss figures reflect the application of Australian Equivalents to International Financial Reporting Standards (AIFRS).

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 and Expected Results of Operations

The Company will continue to pursue its investment objective which is to increase the net asset value of the Company.

The methods of operating the Company are not expected to change in the foreseeable future.

Rounding Off of Amounts

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

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*.

	2006 $	2005 $
Audit services – statutory	**82,155**	56,800
Audit services – assurance	**446**	9,803
Taxation services – compliance	**31,249**	42,417
Advisory services – Goods and Services Tax	**–**	12,200
Advisory services – Foreign tax agent	**2,942**	–
Total remuneration	**116,792**	121,220

Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 31.

Information on Directors

Graeme Galt MBA, BCom, FAICD

Independent Non-Executive Director and Chairman for four years and member of the Audit Committee. (Age 66)

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 held various directorships in both private and public companies. Mr Galt is a Director of Asian Express Airlines Pty Limited and Senior Advisor to Templeton Galt.

DIRECTORS' REPORT
continued

Peter Clarke BSc(Econ)
Independent Non-Executive Director for seven years and Chairman of the Audit Committee. (Age 70)

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. Mr Clarke has been a Director of Climax Mining Limited since 1992.

Bruce Coleman BSc, BCom, CA
Independent Non-Executive Director for two years and member of the Audit Committee. (Age 56)

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 12 years. (Age 56)

Relevant interest in 324,020 shares in the Company.

Appointed as Managing Director upon incorporation. He is the Managing Director of Platinum Asset Management the Company's Investment Manager. Prior to Platinum Asset Management, Mr Neilson 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 12 years. (Age 40)

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 12 years. (Age 48)

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' Meetings

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2006 and attended by each Director.

	Board Meetings Held while a Director	Board Meetings Attended	Audit Committee Meetings Held while a member	Audit Committee Meetings Attended
G Galt	5	4	3	2
P Clarke	5	5	3	3
B Coleman	5	5	3	3
K Neilson	5	4	–	–
A Clifford	5	5	–	–
M Halstead	5	4	–	–

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 advisors. It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Non-Executive Directors. The remuneration of the Directors is not linked to the performance or earnings of the Company.

Directors' fees

Non-Executive Directors' base remuneration is reviewed annually.

DIRECTORS' REPORT
continued

Retirement benefits for Directors

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

Other benefits (including termination) 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 all 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	Short-term Benefits Primary Salary $	Post-employment Benefits Superannuation $	Total $
G Galt	55,000	4,950	59,950
P Clarke	50,000	2,625	52,625
B Coleman	50,000	4,500	54,500
Total remuneration	155,000	12,075	167,075

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

Directors

The following persons were Directors of Platinum Asset Management during the whole of the financial year and up to the date of this report:

K Neilson

A Clifford

M Halstead

There are no employees that hold an executive position within Platinum Asset Management.

Key management personnel compensation

The Executive Directors (K Neilson, A Clifford and M Halstead) are all employees of the Investment Manager, Platinum Asset Management, and are not compensated by the Company. Platinum Asset Management does not directly or indirectly own shares in the Company. AASB 124 requires compensation provided by the Company or on behalf of the Company to be disclosed. Platinum Asset Management is a related entity of the three Executive Directors, because the Executive Directors are also Directors of Platinum Asset Management which provides investment management services to the Company.

A portion of the compensation paid by Platinum Asset Management to its employees is in relation to managing the affairs of the Company. Platinum Asset Management has not made any determination as to what proportion of its employees' compensation relates to the Company. Platinum Asset Management paid: K Neilson a salary of $250,000 (2005:$250,000) and superannuation of $12,140 (2005:$11,584); A Clifford a salary of $200,000 (2005:$200,000), superannuation of $12,140 (2005:$11,584) and non-monetary benefits $3,470 (2005:$4,396); M Halstead a salary of $200,000 (2005:$200,000), and superannuation of $12,140 (2005:$11,584).

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 2006 of $59,950.

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 2006 of $52,625.

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 2006 of $54,500.

Share Based 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 2006

AUDITORS' INDEPENDENCE DECLARATION

As lead auditor for the audit of Platinum Capital Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.

A.J Loveridge

AJ Loveridge
Partner
PricewaterhouseCoopers

Sydney
8 August 2006

Liability is limited by a Scheme approved under Professional Standards Legislation.

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 25 063 565 006 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 advisor 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.

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 has undertaken a self assessment of its collective performance during the reporting period. Independent professional advice may be sought as part of this process.

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 ending 30 June 2006 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.

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.

A copy of the Code is 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 Auditors' Report.

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

INCOME STATEMENT

for the year ended 30 June 2006

	Notes	2006 $'000	2005 $'000
Investment income			
Dividends		**3,089**	3,093
Interest		**382**	237
Net gains/(losses) on equities/derivatives		**50,433**	(5,798)
Net gains/(losses) on forward currency contracts		**(882)**	4,746
Net gains/(losses) on overseas bank accounts		**809**	(1,155)
Total investment income		**53,831**	1,123
Expenses			
Management fee		**3,161**	2,903
Custody		**219**	201
Share registry		**256**	209
Directors' fees		**167**	169
Continuous reporting disclosure		**112**	109
Auditors' remuneration			
– Auditing and assurance services ($82,601, 2005: $66,603)		**83**	67
– Taxation services ($31,249, 2005: $42,417)		**31**	42
– Advisory services ($2,942, 2005: $12,200)		**3**	12
Transaction costs		**217**	176
Withholding tax on foreign dividends		**292**	243
Other expenses		**401**	425
Total expenses		**4,942**	4,556
Profit/(loss) before income tax		**48,889**	(3,433)
Income tax expense/(benefit)	2(a)	**14,425**	(1,399)
Profit/(loss) after income tax	8	**34,464**	(2,034)
Basic earnings per share (cents per share)	7	**28.66**	(1.73)
Diluted earnings per share (cents per share)	7	**28.66**	(1.73)

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

BALANCE SHEET

as at 30 June 2006

	Notes	2006 $'000	2005 $'000
Assets			
Financial assets held at fair value through profit or loss	1(c), 3	**195,710**	174,378
Cash and cash equivalents	9(a)	**28,070**	15,671
Receivables	4	**417**	690
Deferred tax assets	2(b)	**76**	68
Total assets		**224,273**	190,807
Liabilities			
Payables	5	**814**	778
Income tax payable		**8,307**	1,722
Deferred tax liabilities	2(c)	**7,578**	2,757
Total liabilities		**16,699**	5,257
Net assets		**207,574**	185,550
Equity			
Contributed equity	6	**137,727**	132,253
Retained profits	8	**69,847**	53,297
Total equity		**207,574**	185,550

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2006

	Notes	2006 $'000	2005 $'000
Total equity at the beginning of the financial year		**185,550**	199,678
Profit for the year		**34,464**	(2,034)
Total recognised income and expense for the financial year		**34,464**	(2,034)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transactions costs	6	**5,474**	5,426
Dividends paid	14	**(17,914)**	(17,520)
		(12,440)	(12,094)
Total equity at the end of the financial year		**207,574**	185,550

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

CASH FLOW STATEMENT

for the year ended 30 June 2006

	Notes	**2006 $'000 Inflows (Outflows)**	2005 $'000 Inflows (Outflows)
Cash flows from operating activities			
Dividends received		**3,112**	3,072
Interest received		**368**	227
Cost of purchases of financial assets		**(120,528)**	(81,581)
Proceeds from sale of financial assets		**149,004**	81,003
Management fees paid		**(3,126)**	(2,733)
Other expenses		**(1,761)**	(1,406)
Income tax paid		**(3,024)**	(74)
Net cash from operating activities	9(b)	**24,045**	(1,492)
Cash flows from financing activities			
Proceeds from issue of shares		**5,474**	5,426
Dividends paid		**(17,953)**	(17,484)
Net cash from financing activities		**(12,479)**	(12,058)
Net increase/(decrease) in cash and cash equivalents		**11,566**	(13,550)
Cash and cash equivalents held at the beginning of the financial year		**15,671**	28,537
Adjustment to opening cash for AIFRS		**–**	4
Effects of exchange rate changes on cash and cash equivalents		**833**	680
Cash and cash equivalents held at the end of the financial year	9(a)	**28,070**	15,671

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

(a) Basis of Preparation

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

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

Compliance with IFRS

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

Compliance with AIFRS ensures that the financial statements of the Company, and notes thereto, complies with International Financial Reporting Standards (IFRS).

Application of AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)*

These financial statements are the first annual Platinum Capital Limited financial statements to be prepared in accordance with AIFRS.

AASB 1: *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

When preparing the Company's 30 June 2006 financial report, management has amended certain accounting valuation methods applied in the previous Australian Generally Accepted Accounting Principles (AGAAP) financial report to comply with AIFRS.

For the purposes of preparing these financial statements, management has decided not to take the exemption available under AASB 1 to only apply AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* from 1 July 2005. As a result, the comparable balances have been restated in accordance with AIFRS.

There are no other changes as a result of adopting AIFRS.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(a) Basis of Preparation continued

The preparation of the financial statements in conformity with AIFRS requires the use of certain critical accounting estimates and judgements, which are included below.

(b) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period taxable income based on the current income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Under AASB 112: *Income Taxes*, deferred tax balances are determined using the Balance Sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Balance Sheet and their associated tax bases.

(c) Financial Assets Held at Fair Value Through Profit or Loss

Adjustments on transition date: 1 July 2004

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 is that investments will be measured at fair value. Fair value is exclusive of transaction costs. Changes in fair value are taken to the Income Statement.

At the date of transition (1 July 2004), changes to carrying amounts were taken to retained profits.

Under AASB 139, investments (including derivatives) are classified in the Balance Sheet as "financial assets held at fair value through profit or loss". These financial assets are initially recognised at fair value, typically represented by cost excluding transaction costs, which are expensed as incurred. Financial assets are measured at fair value and exclude transaction costs. Investments values are based on quoted "bid" prices on long securities and quoted "ask" prices on securities sold short.

Gains and losses arising from changes in the fair value of the financial assets are included in the Income Statement in the period in which they arise.

(d) Transaction Costs

Initial measurement (cost) on acquisition of trading securities shall not include directly attributable transaction costs such as fees and commissions paid to agents. Incremental transaction costs are expensed as incurred in the Income Statement.

(e) Foreign Currency Translation

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

Transactions denominated in foreign currencies are translated into Australian currency at the rates of exchange prevailing on the date of the transaction. Foreign currency assets and liabilities existing at balance date are translated at balance date.

Resulting exchange differences are brought to account in determining profit and loss for the year.

(f) Investment Income

Interest income

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

Dividend income

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

(g) 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.

(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 financial year.

(i) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, 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 Cash Flow Statement, is reconciled to the related item in the Balance Sheet.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(j) Receivables

From 1 July 2004

All receivables are recognised as and when they are due.

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

(k) Payables

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

(l) Contributed Equity

Ordinary shares are classified as equity.

(m) 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 paid at balance date.

(n) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 7: *Financial Instruments Disclosure* and AASB 2005-10: *Amendments to Australian Accounting Standards* (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038).

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. AASB 7 requires qualitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk.

The Company has elected not to adopt the standard early. Application of this standard will not affect any of the amounts recognised in the financial statements.

(ii) AASB 2005-4: *Amendments to Australian Accounting Standards* (AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038).

AASB 2005-4 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendment restricts the ability to designate financial assets and financial liabilities "at fair value through profit or loss". The Company's financial assets are classified as "held for trading" and this definition has not been changed. Accordingly, the amendment will not affect the Company's financial statements.

(iii) AASB 2005-11: *Amendments to Australian Accounting Standards* (AASB 101, AASB 112, AASB 132, AASB 133, AASB 139 and AASB 141).

The amendment deals with the impact of contingently issuable shares and contingently returnable shares on earnings per share. The Company does not issue shares of this type and accordingly, the amendment will not affect the Company's financial statements.

2. INCOME TAX

	2006 $'000	2005 $'000
(a) The income tax expense/(benefit) attributable to operating profit/(loss) comprises:		
Current income tax provision	**9,603**	2,724
Deferred tax liabilities	**4,821**	2,156
Deferred tax assets	**(8)**	561
Adoption of AIFRS	**–**	(6,825)
Under/(over) provision of prior period tax	**9**	(15)
	14,425	(1,399)
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:		
Operating profit/(loss) before income tax expense	**48,889**	(3,433)
Prima facie income tax on operating profit/(loss) at 30%	**14,667**	(1,029)
Tax effect on temporary differences which:		
Reduce tax payable		
Allowable credits	**(251)**	(355)
Under/(over) provision of previous period tax	**9**	(15)
Income tax expense/(benefit)	**14,425**	(1,399)

	2006 $'000	2005 $'000
2. INCOME TAX continued		
(b) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Auditing and review	**15**	6
Taxation services	**6**	7
Preparation of annual report	**55**	55
Deferred tax assets	**76**	68
(c) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Dividends receivable	**24**	31
Accounting/Tax cost adjustment	**(56)**	391
Unrealised gains on financial assets	**7,610**	2,335
Deferred tax liabilities	**7,578**	2,757

	2006 $'000 Fair Value	2005 $'000 Fair Value
3. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		
Listed and non-listed securities	**195,013**	174,596
Foreign currency contracts	**697**	(218)
Total investment portfolio	**195,710**	174,378

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

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

4. RECEIVABLES

	2006 $'000	2005 $'000
Current		
Proceeds on sale of financial assets	**44**	319
Dividend receivable	**81**	103
Interest receivable	**36**	22
Prepayments	**67**	67
Sundry debtors	**155**	143
Goods and Services Tax	**34**	36
	417	690

Proceeds on sale of financial assets 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.

Denomination of current receivables by geographic location:

	2006 $'000	2005 $'000
Australian dollar	**136**	103
Japanese yen	**13**	163
Indian rupee	**169**	172
Hong Kong dollar	**10**	9
Euro	**12**	–
British pound	**5**	14
Canadian dollar	**–**	1
US dollar	**72**	228
	417	690

NOTES TO THE FINANCIAL STATEMENTS

30 June 2006

	2006 $'000	2005 $'000
5. PAYABLES		
Current		
Payables on purchase of financial assets	**46**	26
Trade creditors (unsecured)	**580**	526
Unclaimed dividends payable to shareholders	**188**	226
	814	778

Payables on purchase of financial assets 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.

These current payables are non-interest bearing.

Denomination of current payables by geographic location:

	2006 $'000	2005 $'000
Australian dollar	**768**	752
Japanese yen	**46**	–
Canadian dollar	**–**	13
US dollar	**–**	13
	814	778

		2006 Quantity	2006 $'000	2005 Quantity	2005 $'000
6. CONTRIBUTED EQUITY					
Opening balance		**118,828,743**	**132,253**	116,262,237	126,827
Dividend reinvestment plan	12-Nov-04	**–**	**–**	1,639,408	3,590
Dividend reinvestment plan	4-Mar-05	**–**	**–**	927,098	1,836
Dividend reinvestment plan	18-Nov-05	**1,816,411**	**3,542**	–	–
Dividend reinvestment plan	27-Feb-06	**936,860**	**1,893**	–	–
Reinvestment of unclaimed dividends	22-May-06	**17,642**	**39**	–	–
Closing balance		**121,599,656**	**137,727**	118,828,743	132,253

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

6. CONTRIBUTED EQUITY continued

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

Ordinary Shares

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

	Notes	2006	2005
7. EARNINGS PER SHARE			
Basic earnings per share – cents per share		**28.66**	(1.73)
Diluted earnings per share – cents per share		**28.66**	(1.73)
Weighted average number of Ordinary Shares on issue used in the calculation of basic and diluted earnings per share		**120,268,658**	117,602,039

	2006 $'000	2005 $'000
Earnings used in the calculation of basic and diluted earnings per share	**34,464**	(2,034)

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.

	Notes	2006 $'000	2005 $'000
8. RETAINED PROFITS			
Retained earnings at the beginning of the financial year		**53,297**	72,851
Net profit/(loss)		**34,464**	(2,034)
Dividends provided for or paid	14	**(17,914)**	(17,520)
Retained earnings at the end of the financial year		**69,847**	53,297

	2006 $'000	2005 $'000

9. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

	2006 $'000	2005 $'000
Cash at bank*	**243**	247
Cash on deposit**	**27,827**	15,424
	28,070	15,671

* Includes $188,000 (2005: $226,000) held in respect of unclaimed dividends on behalf of shareholders.

** Includes $8,026,000 (2005: $8,361,000) 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 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% (2005: 0.05% to 0.85%).

9. NOTES TO THE CASH FLOW STATEMENT continued

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

	2006 $'000	2005 $'000
Operating profit/(loss) after income tax	**34,464**	(2,034)
Decrease/(increase) in investment securities and forward currency contracts	**(21,332)**	(7,605)
Adjustment to operating profit for AIFRS	–	7,117
(Increase)/decrease in cash due to exchange rate movements	**(833)**	(680)
Decrease/(increase) in settlements receivable	**275**	(10)
Decrease/(increase) in dividends receivable	**22**	(21)
Decrease/(increase) in interest receivable	**(14)**	(10)
Decrease/(increase) in Goods and Services Tax receivable	**2**	60
Decrease/(increase) in sundry debtors	**(12)**	(143)
Decrease/(increase) in income tax receivable	**–**	914
Decrease/(increase) in prepayments	**1**	18
(Decrease)/increase in accrued expenses	**54**	(166)
(Decrease)/increase in settlements payable	**20**	(973)
(Decrease)/increase in income tax payable	**6,585**	1,722
(Increase)/decrease in deferred tax assets	**(8)**	498
Increase/(decrease) in deferred tax liabilities	**4,821**	(179)
Net cash from operating activities	**24,045**	(1,492)

	2006 $'000	2005 $'000
10. STATEMENT OF NET ASSET VALUE		
Reconciling Net Asset Value in accordance with AIFRS to that reported to the ASX*		
Net Asset Value per Balance Sheet	**207,574**	185,550
Add:		
Difference between bid price under AIFRS and last sale price	**801**	1,355
Adjustment to receivables	**(17)**	–
Deferred income tax on movements in unrealised monetary items	**(240)**	(407)
Net Asset Value	**208,118**	186,498
Net Asset Value – cents per share	**171.15**	156.95

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

	Quantity	2006 Fair Value $'000
11. INVESTMENT PORTFOLIO		
Japan		
Ajinomoto	80,000	**1,193**
Alpine Electronics	84,300	**1,555**
Bank of Fukuoka	52,800	**537**
Bank of Nagoya	800	**7**
Chiba Bank	148,800	**1,868**
Chugoku Bank	62,900	**1,152**
Citizen Watch	115,700	**1,406**
Coca-Cola West Holdings	10,231	**289**
Daiwa House	45,700	**981**
Denso	90,430	**3,980**
Hamamatsu Photonics	11,600	**537**
Hitachi	309,700	**2,755**
JGB Sept 06 Future – Sold Short	(15)	**113**
JGC Corp	39,900	**924**

11. INVESTMENT PORTFOLIO continued

	Quantity	2006 Fair Value $'000
Japan continued		
Joyo Bank	79,600	**647**
JS Group	50,100	**1,418**
McDonald's Holdings Co Japan	36,000	**779**
Mitsubishi Chemical Corp	204,700	**1,717**
Mitsubishi Heavy Industries	379,600	**2,207**
Mitsubishi UFJ Securities Co	67,100	**1,165**
Mitsui & Co	177,900	**3,383**
Mitsui Sumitomo Insurance	170,100	**2,876**
Nagano Bank	2,100	**10**
Namco Bandai	63,100	**1,287**
NEC	110,900	**796**
Nichi Gakkan	4,100	**101**
Nikko Cordial	142,300	**2,451**
Nippon Television Network	8,580	**1,572**
Omron	48,100	**1,636**
Sharp	22,100	**470**
Shizuoka Bank	75,100	**1,091**
SMC	7,095	**1,345**
Square Enix	61,170	**1,710**
Sumitomo Mitsui	112	**1,595**
TDK	24,010	**2,458**
Toyota Industries	56,100	**2,984**
UNY	49,100	**975**
Ushio Denki	65,300	**1,848**
West Japan Railway	231	**1,291**
Yamanashi Chuo Bank	94,600	**947**
Yamazaki Banking	51,800	**623**
Yokogawa Electric	50,100	**961**
Total Japan		**57,640**

	Quantity	2006 Fair Value $'000
11. INVESTMENT PORTFOLIO continued		
Other Asia		
Hong Kong		
Beijing Capital International Airport – H	639,700	**546**
China Mobile Limited Hong Kong – H	198,000	**1,521**
Dongfeng Motor Group	1,550,600	**967**
Shanghai Industrial	176,700	**459**
Travelsky Technology – H	278,400	**426**
ZTE Corp – H	9,100	**39**
		3,958
India		
Bank of Baroda	31,600	**184**
Canara Bank P – Note	103,572	**608**
ITC	98,665	**525**
Nifty Jul 06 Future – Sold Short	(193)	**(93)**
NTPC	541,439	**1,756**
State Bank Of India	23,000	**487**
Union Bank Of India	176,086	**465**
		3,932
Korea		
Kangwon Land	41,200	**949**
Kookmin Bank	25,220	**2,778**
Kospi Sept 06 Future – Sold Short	(55)	**(166)**
LG	44,600	**1,761**
Samsung	102,730	**3,787**
Samsung Fire & Marine Insurance	10,965	**1,935**
SK Telecom	8,002	**2,316**
		13,360

11. INVESTMENT PORTFOLIO continued

	Quantity	2006 Fair Value $'000
Other Asia continued		
China		
Netease	10,000	**302**
Sohu.com	17,000	**589**
ZTE Corp P – Note	283,351	**1,350**
		2,241
Taiwan		
BenQ	1,057,000	**883**
Polaris Securities	1,318,514	**841**
Yuanta Core Pacific Securities	318,967	**283**
Yuanta Securities P – Note	628,000	**601**
		2,608
Total Other Asia		**26,099**
Australia		
Bendigo Mining	90,400	**154**
SPI 200 Sept 06 Future – Sold Short	(25)	**(122)**
Total Australia		**32**
Europe – Euro		
France		
Alcatel	211,500	**3,613**
Areva	1,420	**1,305**
CA Normandie Seine	4,581	**745**
CA Touraine Poitou	2,770	**424**
Carrefour	52,136	**4,117**
Credit Agricole	114,300	**5,851**
Pernod Ricard	14,254	**3,801**
		19,856

	Quantity	2006 Fair Value $'000

11. INVESTMENT PORTFOLIO continued

Europe – Euro continued

	Quantity	2006 Fair Value $'000
Germany		
Beiersdorf	1,200	**243**
Dax Index Sept 06 Future – Sold Short	(9)	**(124)**
Douglas Holdings	15,598	**967**
Hornbach Holdings	11,860	**1,535**
Henkel KGaA – Vorzug	29,513	**4,541**
Hornbach Baumarkt	45,600	**3,028**
Infineon Technologies	167,900	**2,515**
Qiagen	51,268	**937**
Siemens	38,250	**4,485**
		18,127
Netherlands		
Royal Dutch Shell	82,400	**3,735**
		3,735
Finland		
Metso	26,038	**1,273**
UPM-Kymmene	101,718	**2,954**
		4,227
Spain		
Banco Bilbao Vizcaya Argentaria – Sold Short	(22,000)	**19**
Banco Santander Central Hispano – Sold Short	(26,000)	**(18)**
		1
Total Europe – Euro		**45,946**

	Quantity	2006 Fair Value $'000
11. INVESTMENT PORTFOLIO continued		
Europe – Other		
Sweden		
Ericsson – B	936,600	**4,151**
		4,151
Switzerland		
Lindt & Spruengli – Registered	20	**563**
Schindler Participating Certificates	33,300	**2,324**
		2,887
United Kingdom		
Johnson Matthey	9,424	**311**
		311
Denmark		
Novozymes – B	31,700	**2,882**
		2,882
Norway		
Norske Skogindustrier	125,945	**2,486**
		2,486
Total Europe – Other		**12,717**

	Quantity	2006 Fair Value $'000
11. INVESTMENT PORTFOLIO continued		
North America		
Canada		
Abitibi – Consolidated	191,800	**694**
Bombardier	780,900	**2,927**
Domtar	107,100	**889**
Fairfax Financial – Sold Short	(900)	**47**
Fairfax Financial Holdings – Sold Short	(2,100)	**22**
Manulife Financial – Sold Short	(49,300)	**84**
		4,663
United States		
Affymetrix	33,600	**1,204**
AGCO	16,700	**586**
AmeriCredit – Sold Short	(100,780)	**(194)**
Ariad Pharmaceuticals	52,082	**317**
Barrick Gold	66,800	**2,634**
Boeing Co – Sold Short	(13,000)	**44**
Caliper Life Sciences	63,114	**411**
Cephalon	13,600	**1,100**
Cepheid	42,313	**548**
CH Robinson Worldwide – Sold Short	(24,450)	**(256)**
Cisco Systems	21,000	**554**
Commerce Bancorp – Sold Short	(35,799)	**86**
Compass Bank Shares – Sold Short	(2,463)	**(2)**
Discovery Holding	14,755	**290**
Diversa	70,300	**917**

11. INVESTMENT PORTFOLIO continued

	Quantity	2006 Fair Value $'000
North America continued		
United States continued		
El Paso	88,900	**1,786**
Expeditors International Washington – Sold Short	(24,600)	**(226)**
Foundry Networks	25,900	**372**
General Growth Properties – Sold Short	(2,500)	**(8)**
Incyte	157,687	**977**
International Paper	122,766	**5,198**
Investors Financial Services – Sold Short	(2,000)	**–**
Invitrogen	6,400	**570**
Ishares Real Estate ETF – Sold Short	(40,200)	**(95)**
Ishares S&P 600 Cap – Sold Short	(104,000)	**(91)**
Lehman Brothers Holdings – Sold Short	(3,700)	**6**
Liberty Media Holding	10,532	**1,189**
Liberty Media Interactive	52,663	**1,222**
Lucent Technologies	8,458	**3**
Mercer International	52,000	**599**
Merck	57,000	**2,800**
MGIC Investment – Sold Short	(36,000)	**(4)**
Mosaic	229,425	**4,367**
Myriad Genetics	35,600	**1,209**
Newmont Mining	37,150	**2,627**
News Corporation – common stock	10,000	**251**
News Corporation – CDI	181,062	**4,919**
Nordstrom – Sold Short	(29,000)	**(21)**
Oracle	141,000	**2,760**

	Quantity	2006 Fair Value $'000
11. INVESTMENT PORTFOLIO continued		
North America continued		
United States continued		
Pfizer	86,700	**2,742**
Philadelphia Consolidated – Sold Short	(10,710)	**8**
Precision Castparts – Sold Short	(16,400)	**(59)**
Prologis – Sold Short	(3,000)	**(12)**
Russell Sept 06 Future – Sold Short	(8)	**(84)**
Russell Mini Sept 06 – Sold Short	(245)	**(1,015)**
Smurfit-Stone Container	107,500	**1,583**
Sun Microsystems	237,200	**1,320**
Union Pacific	14,000	**1,736**
XOMA	137,330	**320**
Zymogenetics	27,800	**712**
		45,900
Total North America		**50,563**
South America		
Peru		
Bayer Peru – Trabajo	77,287	**124**
Peru Holding De Turismo – Trabajo	1,667,523	**48**
Total South America		**172**
South Africa		
Anglogold Ashanti – ADR	28,470	**1,844**
Total South Africa		**1,844**

	Quantity	2006 Fair Value $'000
11. INVESTMENT PORTFOLIO continued		
Liquids		
Outstanding settlements		**79**
Forward currency contracts		**697**
Cash on deposit		**27,827**
Total Liquids		**28,603**
Total Investment Portfolio notes 12(a) and 12(b)		**223,616**
Accounted for in payables (payables on purchase of investments)		**46**
Accounted for in receivables (proceeds on sale of investments)		**(44)**
Accounted for in receivables (dividends receivable)		**(81)**
Accounted for in Financial Assets (note 3) and Cash on Deposit (note 9a)		**223,537**

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

Number of transactions – 2,762 Total brokerage paid – $546,742

12. RISK MANAGEMENT

It is the Company's investment objective to seek long term capital growth through investing in undervalued securities across the world. 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.

12. RISK MANAGEMENT continued

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 forward currency contract exchange rates – and manages this risk through forward currency contracts and options on forward contracts.

Contracts open at balance date are accounted for as foreign currency monetary assets and liabilities – refer note 1(e).

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

The investment activities of the Company expose it to market price risk – the possibility of losing money owing to changes in the market prices of its investments – and manages this risk through derivative contracts, futures, options and swaps. Such transactions are to protect the investment portfolio from either being invested or cash not yet invested. Contracts are primarily for the purpose of portfolio protection and are aimed at decreasing the level of market price risk in the portfolio.

The Company is exposed to liquidity risks – the possibility of being unable to obtain the fair 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 Fair Value and Derivatives Exposure

	Physical 2006 $'000	Net Exposure 2006 $'000	Physical 2005 $'000	Net Exposure 2005 $'000
Japan	**57,640**	**34,289**	60,411	60,411
Other Asia	**26,099**	**18,072**	21,193	21,193
Australia	**32**	**(3,017)**	(45)	(2,638)
Europe – Euro	**45,946**	**42,729**	47,655	47,655
Europe – Other	**12,717**	**12,717**	11,326	10,461
North America	**50,563**	**(8,971)**	32,419	(27,040)
South America	**172**	**172**	95	95
South Africa	**1,844**	**1,844**	1,542	1,542
	195,013	**97,835**	174,596	111,679
Cash and accruals	**28,603**	**125,781**	15,601	78,518
Total	**223,616**	**223,616**	190,197	190,197

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).

12. RISK MANAGEMENT continued

(a) Investments at Fair Value and Derivatives Exposure continued

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.

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 Fair Value

2006	Physical 2006 $'000	Bought 2006 $'000	Sold 2006 $'000	Net Exposure 2006 $'000
Japan	62,011	8,361	–	70,372
Other Asia	27,197	–	–	27,197
Australia	2,142	67,857	(1,700)	68,299
Europe – Euro	50,808	–	(14,007)	36,801
Europe – Other	12,875	–	(1,874)	11,001
North America	66,567	1,772	(60,409)	7,930
South America	172	–	–	172
South Africa	1,844	–	–	1,844
Total	223,616	77,990	(77,990)	223,616

12. RISK MANAGEMENT continued

(b) Currency Exposure at Fair Value continued

2005	Physical 2005 $'000	Bought 2005 $'000	Sold 2005 $'000	Net Exposure 2005 $'000
Japan	61,338	12,171	–	73,509
Other Asia	21,298	–	–	21,298
Australia	(203)	39,521	(10,000)	29,318
Europe – Euro	49,043	–	(11,316)	37,727
Europe – Other	11,565	–	(1,751)	9,814
North America	45,519	–	(28,625)	16,894
South America	95	–	–	95
South Africa	1,542	–	–	1,542
Total	190,197	51,692	(51,692)	190,197

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 forward currency contract 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.

	2006 $'000	2005 $'000
13. FRANKING ACCOUNT		
Opening balance based on tax paid and franking credits attached to dividends paid – converted at 30%	**25,281**	30,078
On tax paid and payable:		
2004/2005	**–**	2,725
2005/2006	**9,767**	–
Prior year tax provision – franking adjustment	**7**	(15)
Credits on franked dividends received	**–**	2
Dividend paid – franked at 30%	**(7,678)**	(7,509)
	27,377	25,281

	2006 cps	2006 $'000	2005 cps	2005 $'000
14. DIVIDENDS (FULLY FRANKED)				
Paid – Interim fully franked at 30%	**5.00**	**6,032**	5.00	5,894
Paid – Final fully franked at 30%	**10.00**	**11,882**	10.00	11,626
	15.00	**17,914**	15.00	17,520

	2006 $'000	2005 $'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 17 November 2006 but not recognised as a liability at year-end.	12,160	11,883

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$). 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 2006 was positive 22.89% and the corresponding MSCI's positive 21.10%. Even though there is an outperformance of 1.79%, there is a brought forward underperformance amount of 1.46%. 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.

	2006 $'000	2005 $'000
Management fee	**3,161**	2,903
Performance fee	**–**	–
Amounts paid and payable to the Investment Manager for the year	**3,161**	2,903

15. INVESTMENT MANAGER continued

A summary of the salient provisions of the Investment Management Agreement 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;

(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 ASSETS, LIABILITIES AND COMMITMENTS FOR EXPENDITURE

No contingent assets or liabilities exist at balance date.

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

17. SEGMENT INFORMATION

The Company operates solely from Australia.

While the Company operates from Australia only (the geographical segment), it has investment exposures in different countries.

The geographical locations of those exposures are outlined below.

17. SEGMENT INFORMATION continued

	2006 $'000 Segment Revenue	**2006 $'000 Segment Result**	2005 $'000 Segment Revenue	2005 $'000 Segment Result
Japan	**19,701**	**19,560**	1,345	1,326
Other Asia	**13,790**	**13,698**	(2,477)	(2,662)
Australia	**(544)**	**(544)**	65	65
Europe – Euro	**13,731**	**13,621**	(776)	(926)
Europe – Other	**1,078**	**1,032**	(2,964)	(2,964)
North America	**5,974**	**5,853**	881	821
South America	**–**	**–**	(196)	(196)
South Africa	**983**	**982**	499	494
Unallocated Revenue – Net gains/(losses) on forward currency contracts	**(882)**	**(882)**	4,746	4,746
Unallocated Expenses	**–**	**(4,431)**	–	(4,137)
Total	**53,831**	**48,889**	1,123	(3,433)

	2006 $'000 Segment Assets	**2006 $'000 Segment Liabilities**	2005 $'000 Segment Assets	2005 $'000 Segment Liabilities
Japan	**70,419**	**(46)**	73,509	–
Other Asia	**27,352**	**–**	21,441	–
Australia	**68,719**	**(16,653)**	29,736	(5,231)
Europe – Euro	**36,804**	**–**	37,706	–
Europe – Other	**11,001**	**–**	9,835	–
North America	**7,962**	**–**	16,943	(26)
South America	**172**	**–**	95	–
South Africa	**1,844**	**–**	1,542	–
Total	**224,273**	**(16,699)**	190,807	(5,257)

18. EVENTS OCCURRING AFTER REPORTING DATE

No significant events have occurred since balance date which would impact the Balance Sheet of the Company as at 30 June 2006 and the results for the year ended on that date.

19. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

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 any other key management personnel, other than the Non-Executive Directors listed in 19(b).

19. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

(b) Details of Compensation

The Non-Executive Directors received the following amounts from the Company during the financial year:

Name	2006 Short-term benefits Salary $	2006 Post-employment benefits Super-annuation $	2006 Total $	2005 Short-term benefits Salary $	2005 Post-employment benefits Super-annuation $	2005 Total $
G Galt	**55,000**	**4,950**	**59,950**	55,000	4,950	59,950
P Clarke	**50,000**	**2,625**	**52,625**	50,000	4,500	54,500
B Coleman	**50,000**	**4,500**	**54,500**	50,000	4,500	54,500
Total remuneration	**155,000**	**12,075**	**167,075**	155,000	13,950	168,950

Key management personnel compensation

The Executive Directors (K Neilson, A Clifford and M Halstead) are all employees of the Investment Manager, Platinum Asset Management, and are not compensated by the Company. Platinum Asset Management does not directly or indirectly own shares in the Company. AASB 124 requires compensation provided by the Company or on behalf of the Company to be disclosed. Platinum Asset Management is a related entity of the three Executive Directors, because the Executive Directors are also Directors of Platinum Asset Management which provides investment management services to the Company.

A portion of the compensation paid by Platinum Asset Management to its employees is in relation to managing the affairs of the Company. Platinum Asset Management has not made any determination as to what proportion of its employees' compensation relates to the Company. Platinum Asset Management paid: K Neilson a salary of $250,000 (2005:$250,000) and superannuation of $12,140 (2005:$11,584); A Clifford a salary of $200,000 (2005:$200,000), superannuation of $12,140 (2005:$11,584) and non-monetary benefits $3,470 (2005:$4,396); M Halstead a salary of $200,000 (2005:$200,000), and superannuation of $12,140 (2005:$11,584).

19. KEY MANAGEMENT PERSONNEL 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 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 2006 of $59,950.

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 2006 of $52,625.

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 2006 of $54,500.

(d) Equity Instrument Disclosures Relating to Key Management Personnel and Related Parties

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' compensation from the Company (note 15).

19. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

(d) Equity Instrument Disclosures Relating to Key Management Personnel and Related Parties continued

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

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

20. RELATED PARTY INFORMATION

Key Management Personnel

Disclosures relating to key management personnel are set out in note 19.

Related Parties

Disclosures relating to the Management fees paid and payable to Platinum Asset Management, a related party 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 current 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. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

(a) Reconciliation of Profit Under Previous AGAAP to Profit Under AIFRS: 30 June 2005

Income Statement

	Notes	AGAAP $'000	Effect of Change $'000	AIFRS $'000
Investment income				
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 forward currency contracts	(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 investment income		12,491	(11,368)	1,123
Expenses				
Total expenses		4,380	176	4,556
Profit/(loss) before income tax expense		8,111	(11,544)	(3,433)
Income tax expense/(benefit)	(a)	3,028	(4,427)	(1,399)
Profit/(loss) after income tax expense		5,083	(7,117)	(2,034)

22. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

(b) Reconciliation of Equity Reported Under Previous AGAAP to Equity Under AIFRS: 30 June 2005

Balance Sheet

	Notes	AGAAP $'000	Effect of Change $'000	AIFRS $'000
Assets				
Investments	(b), (c)	175,259	14,543	189,802
Cash at bank		247	–	247
Receivables	(b)	689	1	690
Deferred tax assets	(a)	131	(63)	68
Total assets		176,326	14,481	190,807
Liabilities				
Payables		778	–	778
Income tax payable		1,722	–	1,722
Deferred tax liabilities	(a)	422	2,335	2,757
Total 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

22. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

Notes Explaining the Impacts on the 30 June 2005 Income Statement and Balance Sheet

(a) Income Tax

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

This is a change from the previous AGAAP accounting policy, under which deferred tax balances were determined using the "income statement method". Items were only tax-affected if they were included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes could not 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.

22. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

Notes Explaining the Impacts on the 30 June 2005 Income Statement and Balance Sheet continued

(a) Income Tax continued

(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.

(b) Investments

Under AASB 139, investments are now classified as "financial assets held at fair value through profit or loss" and are recognised in the Balance Sheet at fair value. During the period, changes in fair value for investments are now recognised in the Income Statement. The fair value of investments is now measured at bid price and excludes disposal costs.

Under the previous AGAAP, investments and other derivatives were valued at historical cost unless it had been determined that there had been a permanent diminution in the value of an investment in which case, the carrying amount was written down to net market value or last sale price with an allowance for disposal costs. Transactions costs were included in the gain or loss on sale of trading securities. Investments in monetary items and forward currency contracts were 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.

22. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

Notes Explaining the Impacts on the 30 June 2005 Income Statement and Balance Sheet continued

(b) Investments continued

(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 does not include directly attributable transaction costs such as fees and commissions paid to agents. Under AIFRS, incremental transaction costs are expensed as incurred in the Income Statement. This differs from the previous AGAAP treatment where incremental transaction costs on acquisition of trading securities were included within initial measurement cost. The impact during the year ended 30 June 2005 would have been the recognition of an expense of $176,000.

DIRECTORS' DECLARATION

In the Directors' opinion,

(a) the financial statements and notes set out on pages 39 to 80 are in accordance with the *Corporations Act 2001* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that Platinum Capital Limited will be able to pay its debts as and when they become due and payable.

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

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 2006

INDEPENDENT AUDIT REPORT

to the Members of Platinum Capital Limited

PricewaterhouseCoopers
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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 2006 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,

1. 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 2006 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*.

2. the remuneration disclosures that are contained on pages 28 to 30 of the Directors' Report comply with the Accounting Standard AASB 124: *Related Party Disclosures* (AASB 124) and the *Corporations Regulations 2001*.

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

Scope and summary of our role

The financial report and Directors' responsibility

The financial report comprises the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, accompanying Notes to the Financial Statements, and the Directors' Declaration for Platinum Capital Limited (the Company), for the year ended 30 June 2006.

The Company has disclosed information about the remuneration of key management personnel (remuneration disclosures) as required by AASB 124, under the heading "Remuneration Report" on pages 27 to 30 of the Directors' Report, as permitted by the *Corporations Regulations 2001*.

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.

The Directors are responsible for the remuneration disclosures combined in the Directors' Report.

Audit approach

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

INDEPENDENT AUDIT REPORT

to the Members of Platinum Capital Limited continued

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 and the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*. 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, changes in equity and cash flows.

We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers
Chartered Accountants

A.J Loveridge

AJ Loveridge
Partner

Sydney
8 August 2006

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