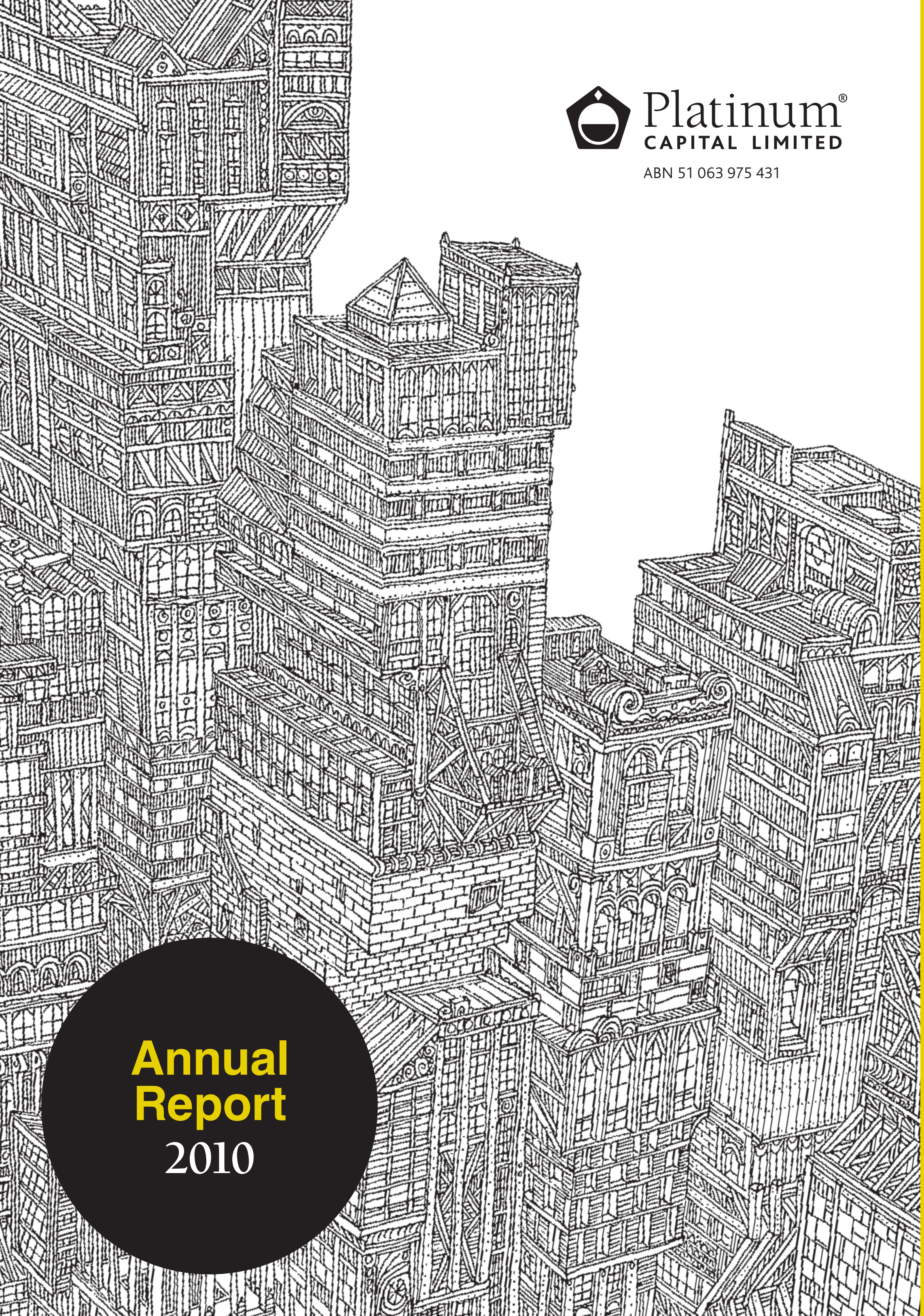
Platinum®
CAPITAL LIMITED

ABN 51 063 975 431



Annual Report 2010

Directors
Bruce Phillips
Bruce Coleman
Richard Morath
Kerr Neilson
Andrew Clifford
Malcolm Halstead

Secretary
Malcolm Halstead

Investment Manager
Platinum Investment Management Limited

Shareholder Liaison
Liz Norman

Registered Office
Level 8, 7 Macquarie Place
Sydney NSW 2000
Phone 1300 726 700 (Australia only)
Phone 0800 700 726 (New Zealand only)
Phone +61 2 9255 7500
Fax +61 2 9254 5555

Share Registrar
Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000
Phone 1300 855 080 (Australia only)
Phone +61 3 9415 4000
Fax +61 3 9473 2500

Auditors and Taxation Advisors
PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

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

Website
http://www.platinumcapital.com.au

Annual Report 2010

Contents

Chairman's Report

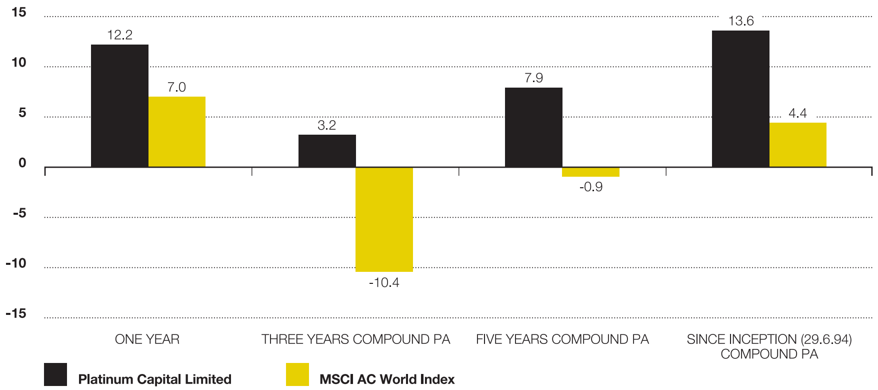
Investment Performance

For the year ending on 30 June 2010, Platinum Capital's net asset value increased by 12.2% pre-tax and by 8.5% after allowing for all tax liabilities, both realised and unrealised. In comparison, the benchmark Morgan Stanley Capital International World Index increased by 7% for the 12 months.

This good short-term performance made a useful contribution to our very satisfactory long-term and medium-term out-performance of both the world index and of the Australian index, demonstrating that the Company can achieve positive returns even in difficult markets.

Since its inception in 1994 the compound annual appreciation of the Company's assets on a pre-tax basis has been 13.6% compared to the return from the MSCI of 4.4%. The comparable return from the Australian All Ordinaries Accumulation Index has been 9.4% annually over the 16 years.

1 Platinum Capital Limited Pre-Tax Net Asset Value Return versus MSCI* Index (%)
Source: *Platinum and MSCI*



** Morgan Stanley Capital International All Country World Net Index*

Accounting Standards

Under Australian Accounting Standards, realised profits and losses are added to or reduced by changes in the market value of the Company's total assets; this can lead to large variations in reported profits from any one year to the next.

In the opinion of your Directors the longer-term movement of asset values, combined with the flow of dividends, is a better measure of performance.

Corporate Governance

As shareholders would be aware, Platinum Capital's funds are ultimately managed by Platinum Asset Management. As both companies have common executive directors, to ensure the affairs of the Company are managed with appropriate corporate governance, shareholders of Platinum Capital have put in place strong representation of independent directors on the board.

In the past year the independent directors are pleased to report they have continued to monitor the performance of the Investment Manager with the full and transparent co-operation of Platinum Asset Management and its management team.

Dividends

A fully franked final dividend of 5 cents per share has been declared, making 10 cents for the full year as against 10 cents in the previous twelve months. We continue with our policy of smoothing dividend payouts.

Chairman's Report
Continued

Corporate Actions
In the 2009-2010 year, the Company operated a Share Purchase Plan (SPP). The SPP raised $16,571,474 and resulted in the allotment of 10,831,029 shares.

Outlook for 2010-2011
The Investment Manager is of the opinion that whilst it is easy to see lots of issues facing equity markets, what gets less airplay than it perhaps deserves is that the corporate sector is cashed up and valuations are as low as they have been for years.

The skill will lie in the bets one makes regarding stock selection, as the returns from the underlying market may be dull due to the de-risking process which is part of an ongoing deleveraging process. With such an uncertain background, it is not possible to forecast profit a year ahead with any certainty.

Finally
I wish to express my appreciation of the efforts of all the people at Platinum.

Bruce Phillips
Chairman

Financial Statements 2010

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 4 August 2010.

Distribution of Securities

(I) DISTRIBUTION SCHEDULE OF HOLDINGS	CLASS OF EQUITY SECURITY ORDINARY
1 – 1,000	988
1,001 – 5,000	3,002
5,001 – 10,000	2,641
10,001 – 100,000	4,101
100,001 and over	117
Total number of holders	10,849
(ii) Number of holders of less than a marketable parcel	507
(iii) Percentage held by the 20 largest holders	11.06%

Twenty Largest Shareholders

The names of the 20 largest holders of each class of listed equity securities as at 4 August 2010 are listed below:

	NUMBER OF SHARES	%
Forbar Custodians Limited	3,814,458	2.35
Groote Eylandt Aboriginal Trust Incorporated	1,872,306	1.15
K Neilson	1,648,038	1.02
Moya Pty Limited	1,412,005	0.87
R I Thompson	1,100,000	0.68
Questor Financial Services Limited	1,073,766	0.66
RBC Dexia Investor Services Australia Nominees Pty Limited	949,283	0.59
UBS Wealth Management Australia Nominees Pty Limited	658,870	0.41
R Thompson	627,536	0.39
Australian Executor Trustees Limited	586,005	0.36
I T Heffernan Pty Limited	525,000	0.32
R Ware	523,914	0.32
Feboco Investments Pty Limited	508,098	0.31
ANZ Nominees Limited	436,530	0.27
RBC Dexia Investor Services Australia Nominees Pty Limited	412,243	0.25
Questor Financial Services Limited	398,122	0.25
Invia Custodian Pty Limited	370,000	0.23
A & X Grant Smith	359,803	0.22
R E Ware Pty Ltd	338,993	0.21
R Ireson	319,872	0.20

Shareholder Information
Continued

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.

Platinum's Commitment to Carbon Neutrality

The Manager continues to report that it is carbon neutral (as is your Company), having purchased carbon credits to offset its carbon emissions.

Distribution of Annual Report to Shareholders

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

Financial Calendar

Annual General Meeting	29 October 2010
Ordinary Shares trade ex-dividend	12 August 2010
Record (books close) date for dividend	18 August 2010
Dividend paid	2 September 2010

These dates are indicative and may be changed.

Questions at AGM

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

Investment Methodology

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

Platinum Capital delegates the investment function to Platinum Investment Management Limited (trading as Platinum Asset Management). This entity employs an investment team that manages the investments of Platinum Capital. These are two discrete legal entities. As a shareholder in Platinum Capital you have no interest/ownership in Platinum Investment Management Limited or its listed parent, Platinum Asset Management Limited.

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 globally whose businesses and growth prospects, it believes, 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 are 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 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 leads to the consideration of a stock addition/retention/reduction in a portfolio takes form in a disciplined reporting process that is open to the critical scrutiny of divergent thinking peers. This process serves to challenge and encourage analysts and to "test" the investment decision as well as add accountability to the process. Implementation of investment decisions is also given detailed attention as is the ongoing review and monitoring of the portfolio.

For a more detailed look at Platinum Asset Management's investment process we would encourage you to visit Platinum's website at the following links:

www.platinum.com.au/invest_process.htm
www.platinum.com.au/invest_diagram.htm

Directors' Report

In respect of the year ended 30 June 2010, the Directors of Platinum Capital Limited (the "**Company**") submit the following report prepared in accordance with a resolution of the Directors.

Directors

The following persons were Directors of the Company for the whole year and up to the date of this report:

Bruce Phillips	(Chairman since 23 October 2009 and Non-Executive Director)
Bruce Coleman	(Non-Executive Director)
Richard Morath	(Non-Executive Director)
Kerr Neilson	(Managing Director)
Andrew Clifford	(Director)
Malcolm Halstead	(Director and Secretary)

Peter Clarke was Chairman of the Company and a Non-Executive Director until his retirement on 23 October 2009.

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 $17,235,000 (2009: net profit $20,567,000) after income tax expense of $6,232,000 (2009: income tax expense $9,162,000).

Dividends

Since the end of the financial year, the Directors have declared a 5 cents per share ($8,113,000) fully franked dividend payable to shareholders on 2 September 2010.

A fully franked dividend of 5 cents per share ($8,042,000) was paid on 9 March 2010.

A fully franked dividend of 5 cents per share ($7,439,000) for the year ended 30 June 2009 was paid on 17 November 2009.

Review of Operations

The net profit before tax was $23,467,000 (2009: net profit before tax $29,729,000) and net profit after tax was $17,235,000 (2009: net profit after tax was $20,567,000). Income tax expense for the year was $6,232,000 (2009: income tax expense $9,162,000).

Changes in the State of Affairs

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

Events Subsequent to the End of the Financial Year

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

Likely Developments 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 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 to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Environmental Regulation

The Company is not adversely impacted by 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*.

Directors' Report
Continued

Non-Audit Services

The Directors, in accordance with advice received from the Audit and Risk 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, did not compromise the auditor independence requirements of the *Corporations Act 2001*.

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.

	2010 $	2009 $
Audit services – statutory	**89,371**	85,934
Taxation services – compliance	**40,410**	38,790
Taxation services – Foreign tax agent	**3,562**	4,611
Total	**133,343**	129,335

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

Information on Directors

Bruce Phillips BSC (HONS)
Chairman of the Company since 23 October 2009.

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

Mr Phillips has over 30 years of technical, financial and managerial experience in the Global Energy industry. He has worked on projects throughout Australasia, South America, the UK, Southeast Asia and East Africa. He founded AWE Limited in 1997 and was its Managing Director until 2007. He was appointed as a Non-Executive Director of AWE Limited on 19 November 2009 and was a Non-Executive Director of Sunshine Gas Limited from 2007 to 2008. Since 2007, Mr Phillips has been a Non-Executive Director of AGL Energy Limited.

Bruce Coleman BSC, BCOM, CA, FFIN
Independent Non-Executive Director for six years and member of the Audit and Risk Committee. (Age 60)

Relevant interest in 200,000 shares in the Company.

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. Mr Coleman is a Non-Executive Director of Platinum Asset Management Limited.

Richard Morath BA, FIA, ASIA
Independent Non-Executive Director and Chairman of the Audit and Risk Committee. (Age 61)

Mr Morath has over 35 years' experience in the Funds Management and Banking industry. He currently holds several board positions with organisations that operate under the National Australia Group of companies. He is Chairman of Plum, the group vehicle providing member services to the corporate superannuation market and a Director of PFS Nominees, the Plum Trustee, and of MLC Nominees, the trustee for the superannuation business of MLC. He is also a Director of BNZ Life. Mr Morath held senior and leadership roles with the Commercial Banking Company of Sydney and State Bank of NSW. He has worked as Managing Director of Australian Bank in the 1980s, and was CEO of MLC Retail Funds and CEO of MLC's corporate funds business in the 1990s. Before retiring in December 2001, Mr Morath worked with Lend Lease Corporation as Group Executive and was responsible for relations with media, analysts, shareholders and government.

Kerr Neilson BCOM (UCT), ASIP
Managing Director for 16 years. (Age 60)

Relevant interest in 1,648,039 shares in the Company.

Appointed as Managing Director upon incorporation. He is the Managing Director of Platinum Investment Management Limited, the Company's Investment Manager and Platinum Asset Management Limited. Prior to Platinum, 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) (UNSW)
Director for 16 years. (Age 44)

Relevant interest in 1,412,006 shares in the Company.

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

Directors' Report
Continued

Malcolm Halstead CA
Finance Director and Company Secretary for 16 years. (Age 52)

Relevant interest in 414,607 shares in the Company.

Appointed a Director of the Company upon incorporation. He is a Director of Platinum Investment Management Limited, the Company's Investment Manager and a Director of Platinum Asset Management Limited. Prior to Platinum, 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 held and attended by the Company's Directors during the year ended 30 June 2010.

NAME	BOARD MEETINGS HELD WHILE A DIRECTOR	BOARD MEETINGS ATTENDED	AUDIT AND RISK COMMITTEE MEETINGS HELD WHILE A MEMBER	AUDIT AND RISK COMMITTEE MEETINGS ATTENDED
B Phillips	6	6	3	3
B Coleman	6	6	3	3
R Morath	6	5	3	3
K Neilson	6	4	–	–
A Clifford	6	6	–	–
M Halstead	6	6	–	–
P Clarke (until 23 October 2009)	3	3	2	2

Remuneration Report (audited)

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.

Retirement benefits for Directors
No retirement benefits (other than mandatory 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 Investment Management Limited, 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 SALARY $	POST-EMPLOYMENT BENEFITS SUPERANNUATION $	TOTAL $
B Phillips	53,430	4,809	58,239
B Coleman	50,000	4,500	54,500
R Morath	50,000	4,500	54,500
P Clarke (until 23 October 2009)	17,277	15,555	32,832
Total remuneration	170,707	29,364	200,071

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 who have this authority and responsibility are the directors of Platinum Investment Management Limited.

Directors
The following persons were directors of Platinum Investment Management Limited 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 who hold an executive position within Platinum Investment Management Limited.

Key Management Personnel Compensation
The Executive Directors (K Neilson, A Clifford and M Halstead) are all employees of the Investment Manager, Platinum Investment Management Limited, and are not compensated by the Company. AASB 124 requires compensation provided by the Company or on behalf of the Company to be disclosed.

Directors' Report
Continued

Platinum Investment Management Limited is a related entity of the three Executive Directors, because the Executive Directors are also directors of Platinum Investment Management Limited which provides investment management services to the Company.

A portion of the compensation paid by Platinum Investment Management Limited to its employees is in relation to managing the affairs of the Company. Platinum Investment Management Limited has not made any determination as to what proportion of its employees' compensation relates to the Company. Platinum Investment Management Limited paid: K Neilson $364,468 (2009: $313,756) and superannuation of $49,993 (2009: $99,989); A Clifford $969,464 (2009: $313,747) and superannuation of $24,997 (2009: $49,997); M Halstead $314,468 (2009: $263,756) and superannuation of $49,993 (2009: $99,989). Platinum Investment Management Limited provided for additional long service leave as follows: K Neilson $7,258 (2009: $12,753), A Clifford $7,216 (2009: $12,926) and M Halstead $5,980 (2009: $10,339) and provided for an increase/(decrease) in annual leave as follows: K Neilson ($13,793) (2009: ($1,282)), A Clifford ($4,023) (2009: ($17,213)) and M Halstead ($20,115) (2009: ($3,803)).

Shareholdings

In the Company, the number of Ordinary Shares in which the Directors have a relevant interest at balance date is as follows:

NAME	BALANCE AT 1/07/09	ACQUISITIONS	DISPOSALS	BALANCE AT 30/06/10
B Coleman	200,000	–	–	200,000
K Neilson	1,648,039	–	–	1,648,039
A Clifford	1,412,006	–	–	1,412,006
M Halstead	414,607	–	–	414,607

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 Investment Management Limited.

B Phillips, Chairman and Non-Executive Director

- Commenced on 10 March 2009.
- Agreements have no termination date. Tenure is subject to approval by shareholders at every third AGM.
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $58,239.

B Coleman, Non-Executive Director

- Commenced on 10 June 2004.
- Agreements have no termination date. Tenure is subject to approval by shareholders at every third AGM.
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $54,500.

R Morath, Non-Executive Director

- Commenced on 27 March 2009.
- Agreements have no termination date. Tenure is subject to approval by shareholders at every third AGM.
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $54,500.

Share Based Compensation

No shares or options in the Company 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 directly 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.

Bruce Phillips
Chairman

Kerr Neilson
Director

Sydney, 9 August 2010

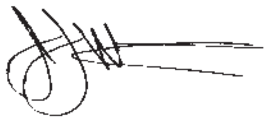
Auditor's Independence Declaration

As lead auditor for the audit of Platinum Capital Limited for the year ended 30 June 2010, 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 Wilson
Partner
PricewaterhouseCoopers

Sydney, 9 August 2010

Liability limited by a Scheme approved under Professional Standards Legislation.

Corporate Governance Statement

Platinum Capital Limited ABN 51 063 975 431 is a listed investment company on the Australian Securities Exchange ("**ASX**").

The objective of the Company is to seek long-term capital growth through utilising the skills of the Investment Manager, Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935 which trades as "**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 are managed by Platinum Asset Management in accordance with an Administrative Services Agreement. The Company's investment activities are undertaken by Platinum Asset Management in accordance with an Investment Management Agreement.

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's Corporate Governance Principles and Recommendations ("**Governance Principles**"), except where indicated.

Company policies, charters and codes referred to in this Statement are provided on the Company's website at www.platinumcapital.com.au.

1. The Board of Directors

Members: Bruce Phillips (Chair), Bruce Coleman, Richard Morath, Kerr Neilson (Managing Director), Andrew Clifford and Malcolm Halstead.

Changes to Board since last report:

- Peter Clarke retired 23 October 2009
- Bruce Phillips appointed Chair 23 October 2009

1.1 Role of the Board

The Board has adopted a Charter, which details the functions and responsibilities of the Board.

The role of the Board is to ensure that:

- the appointed Investment Manager is performing its duties in a skilful and diligent manner, employs qualified and experienced staff and operates appropriate risk monitoring and compliance procedures; and
- the Company operates in compliance with its regulatory environment and good corporate governance practices are adopted.

Corporate Governance Statement
Continued

1.2 Responsibilities of the Board
The principal responsibilities of the Board include:

- overseeing the Company, including its control and accountability systems;
- overseeing and monitoring Platinum Asset Management's compliance with the terms of the Investment Management Agreement;
- monitoring the financial position and performance of the Company;
- identifying the principal risks faced by the Company and ensuring that appropriate control and monitoring systems are in place to manage the impact of these risks;
- overseeing communications and reporting to shareholders;
- ensuring compliance with all laws, governmental regulations and accounting standards; and
- ensuring that good corporate governance practices are adopted.

1.3 Structure of the Board
The Board currently comprises six Directors: three Non-Executive Directors and three Executive Directors (including the Managing Director).

Recommendation 2.1 of the Governance Principles provides that "[a] majority of the board should be independent directors". At the time, the Board considered equal representation was appropriate for the Company given its size and purpose.

The qualifications, experience and term of office of the Directors are provided in the Directors' Report on pages 12 to 14.

The Chair of the Board is an independent Director, and the roles of Chair and Managing Director (Chief Executive Officer) are not exercised by the same individual.

The Chair is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's functioning. The Chair facilitates to ensure the effective contribution of all Directors and promote constructive and respectful relations between Directors and between the Board and Management.

The Managing Director is responsible for ensuring the terms of the Investment Management Agreement and Administrative Services Agreement are fulfilled by Platinum Asset Management.

1.4 Director Independence
All the current Non-Executive Directors of the Company have been assessed as independent. In reaching its decision, the Board has taken into account the factors outlined below.

The Board regularly assesses the independence of each Director. For this purpose an Independent Director is a Non-Executive Director whom the Board considers to be independent of Management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of unfettered and independent judgement.

Directors must disclose any material personal or family contract or relationship in accordance with the *Corporations Act 2001*. Directors also adhere to constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the *Corporations Act 2001* and the Company's policies.

Each Director may from time to time have personal dealings with the Company. Some Directors are involved with other companies or professional firms which may from time to time have dealings with the Company.

Details of offices held by Directors with other organisations are set out on pages 12 to 14 of the Directors' Report. Full details of related party dealings are set out in notes to the Company's accounts as required by law.

In assessing whether Directors are independent, the Board takes into account (in addition to the matters set out above):

- the specific disclosures made by each Director as referred to above;
- where applicable, the related party dealings referable to each Director, noting whether those dealings are material under accounting standards;
- whether a Director is, or is associated directly with, a substantial shareholder of the Company;
- whether the Director has ever been employed by the Company or any of its subsidiaries;
- whether the Director is, or is associated with, a supplier, professional adviser, consultant to or customer of the Company which is material under accounting standards; and
- whether the Director personally carries on any role for the Company otherwise than as a Director of the Company.

The Board also has regard to the matters set out in the Governance Principles. The Board does not consider that term of service on the Board should be considered as a factor affecting a Director's ability to act in the best interests of the Company.

Corporate Governance Statement
Continued

1.5 Selection and Appointment of Directors
Recommendation 2.4 of the Governance Principles provides that "[t]he board should establish a nomination committee". Given the size and purpose of the Company, the Board considers a nomination committee is not warranted. The full Board considers the issues that would otherwise be a function of a nomination committee.

When evaluating, selecting and appointing Directors the Board considers:

- the candidate's competencies, qualifications and expertise and his/her fit with the current membership of the Board;
- the candidate's knowledge of the industry in which the Company operates;
- directorships previously held by the candidate and his/her current commitments to other boards and companies;
- existing and previous relationships with the Company and Directors;
- the candidate's independence status and the need for a majority balance on the Board; and
- requirements of the *Corporations Act 2001*, ASX Listing Rules, the Company's Constitution and Board Policy.

The Board seeks to ensure that:

- its membership represents an appropriate balance between Directors with investment management experience and Directors with an alternative perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

Under the terms of the Company's Constitution, no Director, other than the Managing Director, may hold office for a continuous period (without re-election) past the longer of 3 years and the third Annual General Meeting following the Director's appointment (last election). Where eligible, a Director may stand for re-election.

1.6 Access to Information and Independent Advice
All Directors have unrestricted access to Company records and information.

The Investment Manager provides regular information and reports to the Board (as requested).

The Board of Directors' Charter provides that the 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.

1.7 Performance Assessment
The Board undertakes an annual self-assessment of its collective performance, as well as the performance of its Committees. The Board reviews its performance in terms of Company objectives, Company results and achievements of the Investment Manager. The Board ensures each Director has the necessary skills, experience and expertise, and the mix remains appropriate for the Board to function effectively. This assessment was undertaken during August. Independent professional advice may be sought as part of this process.

Recommendation 1.2 of the Governance Principles provides that "[c]ompanies should disclose the process for evaluating the performance of senior executives". As the Company has no senior executives other than the Executive Directors of the Board and the Executive Directors are not remunerated by the Company, it is considered appropriate that their performance be assessed as part of the collective review outlined above.

2. Board Committees

The Board may establish committees to assist in the execution of its duties and (from time to time) to deal with matters of special importance. Each committee has a documented and approved Charter under which authority is delegated from the Board.

2.1 Audit and Risk Committee
Members: Richard Morath (Chair), Bruce Coleman and Bruce Phillips.

The purpose of the Committee is to assist the Board in fulfilling its responsibilities relating to the financial reporting and accounting practices of the Company.

Corporate Governance Statement
Continued

Its key responsibilities are to:

– review and recommend to the Board the financial statements (including key financial and accounting principles adopted by the Company);
– review and monitor risks and the implementation of mitigation measures for those risks as appropriate;
– assess and recommend to the Board the appointment of external auditors;
– monitor the conduct of audits;
– monitor the Company's compliance with its statutory obligations;
– review and monitor the adequacy of management information and internal control systems; and
– ensure that any Shareholder queries relating to such matters are dealt with expeditiously.

All members of the Committee are Independent Non-Executive Directors.

All matters determined by the Committee are submitted to the full Board as recommendations for Board decisions. Minutes of a Committee meeting are tabled at a subsequent Board meeting. Additional requirements for specific reporting by the Committee to the Board are addressed in the Charter.

2.2 Remuneration Committee

Recommendation 8.1 of the Governance Principles provides that "[t]he board should establish a remuneration committee". Given the size of the Company and the fact that the Executive Directors are not remunerated by the Company, the Board has determined that a remuneration committee is not warranted.

Remuneration for the Non-Executive Directors is set at market rates commensurate with the responsibilities borne by the Non-Executive Directors. The Executive Directors review and determine the remuneration of the Non-Executive Directors accordingly. Independent professional advice may be sought.

Further information is provided in the Remuneration Report set out on pages 14 to 17 of the Directors' Report.

Remuneration paid to the Non-Executive Directors for the 2009/2010 reporting year is set out on pages 15 to 17 of the Directors' Report.

3. Company Auditor

The policy of the Board is to appoint auditors who clearly demonstrate competence and independence.

The performance of the Auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

PricewaterhouseCoopers was appointed as the Auditor to the Company in 1994. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the Auditor, including a breakdown of fees for non-audit services, is provided in the Directors' Report. It is the policy of the Auditor to provide an annual declaration of its independence to the Audit and Risk Committee.

The Auditor is required to attend the Company's Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

4. Company Policies

4.1 Directors' Code of Conduct

The Board has adopted a Directors' Code of Conduct which is based upon the Australian Institute of Company Directors' Code of Conduct. It requires the Directors to act honestly, in good faith, and in the best interests of the Company as a whole, whilst in accordance with the letter (and spirit) of the law.

4.2 Trading in Company Securities

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

The Investment Manager, Platinum Asset Management, imposes the same rules on itself and its employees.

Corporate Governance Statement
Continued

4.3 Financial Reporting
In respect of the year ended 30 June 2010, the Managing Director and Finance Director have made the following certifications to the Board:

– The Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant Accounting Standards.
– The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

4.4 Continuous Disclosure
The Board is committed to:

– the promotion of investor confidence by ensuring that trading in Company shares takes place in an efficient, competitive and informed market;
– complying with the Company's disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*; and
– ensuring the Company's stakeholders have the opportunity to access externally available information issued by the Company.

The Company Secretary is responsible for coordinating the disclosure of information to Regulators and shareholders, and ensuring that any notifications/reports to the ASX are promptly posted on the Company's website.

4.5 Shareholder Communication
The Board has adopted a Communications Plan which describes the Board's policy for ensuring shareholders and potential investors of the Company receive or obtain access to information publicly released by the Company. The Company's primary portals are its website, Annual Report, AGM, Half-Yearly Report, Quarterly Investment Report and monthly notices to the ASX.

The Company Secretary oversees and coordinates the distribution of all information by the Company to the ASX, shareholders, the media and the public.

4.6 Risk Assessment and Management
The Board, through the Audit and Risk Committee, is responsible for ensuring that:

– there are adequate policies for the oversight and management of material business risks to the Company;
– there are effective systems in place to identify, assess, monitor and manage the risks of the Company and to identify material changes to the Company's risk profile; and
– arrangements are adequate for monitoring compliance with laws and regulations applicable to the Company.

The Executive Directors have reported to the Board as to the effectiveness of the Company's management of its material business risks.

The Investment Manager and Administrator, Platinum Asset Management, has implemented risk management and compliance frameworks based on ISO 31000:2009 *Risk Management – Principles and Guidelines* and AS 3806-2006 *Compliance Programs*. These frameworks (together with the firm's internal audit function) ensure that:

– emphasis is placed on maintaining a strong control environment;
– accountability and delegations of authority are clearly identified;
– risk profiles are in place and regularly reviewed and updated;
– timely and accurate reporting is provided to Management and respective Committees; and
– compliance with the law, contractual obligations and internal policies (including business rules of conduct) is communicated and demonstrated.

Platinum Asset Management reports periodically to the Audit and Risk Committee on the effectiveness of its risk management and compliance frameworks with respect to services undertaken for the Company.

4.7 Business Rules of Conduct
The Investment Manager and Administrator, Platinum Asset Management, has established Business Rules of Conduct applicable to its Directors and staff. It communicates the appropriate standards of behaviour, provides a framework for the workplace, and informs staff of their responsibilities with respect to legal compliance, confidentiality and privacy, conflicts of interest, investment activities and operational processes.

Compliance is monitored by the Compliance team. Regular training sessions are provided by the Compliance Manager. All employees are asked to sign an annual declaration confirming their compliance with the Business Rules of Conduct.

Statement of Comprehensive Income
For the year ended 30 June 2010

	NOTES	2010 $'000	2009 $'000
Investment income			
Dividends		**3,802**	4,274
Interest		**111**	237
Net gains on equities/derivatives		**20,397**	20,879
Net gains on forward currency contracts		**3,719**	9,820
Net gains on overseas bank accounts		**564**	4,249
Total investment income		**28,593**	39,459
Expenses			
Management fee	15	**3,174**	2,674
Performance fee		**–**	5,147
Custody		**210**	160
Share registry		**336**	317
Directors' fees		**186**	182
Continuous reporting disclosure		**197**	155
Auditor's remuneration			
– Auditing services ($89,371, 2009: $85,934)		**89**	86
– Taxation services ($43,972, 2009: $43,401)		**44**	43
Transaction costs		**280**	222
Withholding tax on foreign dividends		**382**	462
Other expenses		**228**	282
Total expenses		**5,126**	9,730
Profit before income tax		**23,467**	29,729
Income tax expense	2(a)	**6,232**	9,162
Profit after income tax		**17,235**	20,567
Other comprehensive income		**–**	–
Total comprehensive income for the year	8	**17,235**	20,567
Basic earnings per share (cents per share)	7	**11.16**	14.74
Diluted earnings per share (cents per share)	7	**11.16**	14.74

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

Balance Sheet
As at 30 June 2010

	NOTES	2010 $'000	2009 $'000
Assets			
Cash and cash equivalents	9(a)	**24,630**	18,275
Financial assets at fair value through profit or loss	1(c), 3	**195,695**	177,583
Income tax receivable		**–**	1,114
Receivables	4	**383**	1,723
Deferred tax assets	2(b)	**1,190**	4,951
Total assets		**221,898**	203,646
Liabilities			
Payables	5	**836**	6,037
Income tax payable		**412**	–
Deferred tax liabilities	2(c)	**1,722**	995
Total liabilities		**2,970**	7,032
Net assets		**218,928**	196,614
Equity			
Contributed equity	6	**192,232**	171,672
Retained profits	8	**26,696**	24,942
Total equity		**218,928**	196,614

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

Statement of Changes in Equity

For the year ended 30 June 2010

	NOTES	CONTRIBUTED EQUITY $'000	RETAINED PROFITS $'000	TOTAL $'000
Balance at 1 July 2008		**148,533**	**18,086**	**166,619**
Total comprehensive income for the year		–	20,567	20,567
Transactions with equity holders in their capacity as equity owners:				
Contributions of equity, net of transactions costs:		23,139	–	23,139
Dividends paid	14	–	(13,711)	(13,711)
Balance at 30 June 2009		**171,672**	**24,942**	**196,614**
Total comprehensive income for the year		–	17,235	17,235
Transactions with equity holders in their capacity as equity owners:				
Contributions of equity, net of transactions costs:		20,560	–	20,560
Dividends paid	14	–	(15,481)	(15,481)
Balance at 30 June 2010		**192,232**	**26, 696**	**218,928**

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

Statement of Cash Flows

For the year ended 30 June 2010

	NOTES	2010 $'000 INFLOWS (OUTFLOWS)	2009 $'000 INFLOWS (OUTFLOWS)
Cash flows from operating activities			
Dividends received		**3,749**	4,225
Interest received		**111**	256
Cost of purchases of financial assets		**(148,613)**	(150,771)
Proceeds from sale of financial assets		**155,624**	141,073
Management fees paid		**(3,145)**	(2,625)
Performance fees paid		**(5,147)**	–
Other expenses		**(1,930)**	(1,970)
Income tax paid		**(218)**	(5,254)
Net cash from operating activities	9(b)	**431**	(15,066)
Cash flows from financing activities			
Proceeds from issue of shares		**20,560**	23,139
Dividends paid		**(15,500)**	(13,729)
Net cash from financing activities		**5,060**	9,410
Net increase/(decrease) in cash and cash equivalents		**5,491**	(5,656)
Cash and cash equivalents held at the beginning of the financial year		**18,275**	19,028
Effects of exchange rate changes on cash and cash equivalents		**864**	4,903
Cash and cash equivalents held at the end of the financial year	9(a)	**24,630**	18,275

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

Notes to the Financial Statements
30 June 2010

1. Summary of Significant Accounting Policies

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.

The financial report was authorised for issue by the Directors of the Company on 9 August 2010. The Directors have the power to amend the financial report after issue.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including AASB 101: *Presentation of Financial Statements*), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with International Financial Reporting Standards (IFRS)
Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of the Company, and notes thereto, complies with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of "financial assets (including derivative instruments) at fair value through profit or loss".

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

The Balance Sheet is presented in decreasing order of liquidity.

(b) Income Tax

The income tax expense 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.

1. Summary of Significant Accounting Policies CONTINUED

(b) Income Tax CONTINUED

The Company exercises judgement in determining the extent of recognition of deferred tax assets, in relation to unrealised tax losses and whether future realised taxable profits are expected to be sufficient, to allow recovery of these losses.

(c) Financial Assets at Fair Value through Profit or Loss

Under AASB 139, marketable equity securities are classified in the Balance Sheet as "financial assets at fair value through profit or loss". These include financial assets that have quoted prices in active markets and can be reliably measured. This designation is consistent with Platinum Asset Management's general stock selection policy of selecting investments that are liquid and actively traded. These investments are initially recognised at fair value, excluding transaction costs, which are expensed as incurred. Investments are valued based on quoted "bid" prices on long securities. Gains and losses arising from changes in the fair value of the financial assets are included in the Statement of Comprehensive Income in the period in which they arise.

In accordance with AIFRS, derivative financial instruments are categorised as "financial assets held for trading" and are accounted for at fair value, with changes to such values recognised through the Statement of Comprehensive Income in the period in which they arise. Derivative financial instruments are valued based on quoted "bid" prices for long equity swaps and long futures. Short equity swaps and short futures are valued based on quoted "ask" prices. Gains and losses arising from changes in the fair value of the financial assets are included in the Statement of Comprehensive Income in the period in which they arise.

Forward currency contracts are categorised as "financial assets held for trading" and are initially recognised at fair value on the date contracts are entered into and are subsequently remeasured at each reporting date. The fair value is the unrealised profit or loss on the foreign currency position (in Australian dollars).

Fair value in an active market
The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at reporting date without any deduction for estimated future selling costs. Long securities, long equity swaps and long futures are priced at "bid" prices, while short equity swaps and short futures are priced at "ask" prices.

Notes to the Financial Statements

30 June 2010

1. Summary of Significant Accounting Policies CONTINUED

(c) Financial Assets at Fair Value through Profit or Loss CONTINUED

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Recognition/derecognition

The Company recognises financial assets on the date they become party to the purchase contractual agreement (trade date) and recognises changes in fair value of the financial assets from this date.

Financial assets are no longer recognised on the date they become party to the sale contractual agreement (trade date).

(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 Statement of Comprehensive Income.

(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 the closing exchange rates prevailing at balance date. Resulting exchange rate differences are brought to account in determining profit and loss for the year.

(f) Investment Income

Interest income

Interest income is recognised in the Statement of Comprehensive Income 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.

1. Summary of Significant Accounting Policies CONTINUED

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

Margin accounts comprise cash held as collateral for derivative transactions.

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

(j) Due from/to Brokers for Unsettled Trades

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for, but not yet delivered by the reporting date. Trades are recorded on trade date. Proceeds on sale of investments are usually received between two and five days after trade date. Payables on purchase of investments are usually paid between two and five days after trade date.

(k) Receivables

All receivables are recognised as and when they are due. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when there is evidence the amount will not be collected.

(l) Payables

All payables and trade creditors are recognised as and when the Company becomes liable.

Notes to the Financial Statements
30 June 2010

1. Summary of Significant Accounting Policies CONTINUED

(m) Contributed Equity

Ordinary shares are classified as equity.

(n) Dividends

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

(o) Segment Reporting

The Company has adopted AASB 8: *Operating Segments* for annual reporting periods commencing on or after 1 January 2009. Under AASB 8, the Company is considered to have a single operating segment, however the standard requires certain entity wide disclosures. Refer to Note 17 for further information.

(p) Rounding 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 financial report and financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(q) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST is not recoverable from the tax authority. In this case, it is recognised as part of the cost of the acquisition of the asset or has been expensed.

(r) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. Our assessment of the impact of these new standards and interpretations are set out below:

(i) AASB 9: *Financial instruments* and AASB 2009-11: *Amendments to Australian Accounting Standards arising from AASB 9* (effective for annual periods beginning on or after 1 January 2013).

AASB 9: *Financial Instruments* provides revised guidance on the classification and measurement of financial assets. The requirements of this standard represents a significant change from the existing requirements of AASB 139 in respect of financial assets.

1. Summary of Significant Accounting Policies CONTINUED

(r) New Accounting Standards and Interpretations CONTINUED

The standard contains two primary measurement categories of financial assets: amortised cost and fair value. The standard eliminates the existing AASB 139 categories of held-to-maturity, available-for-sale and loans and receivables. Equity instruments will be measured at fair value with fair value changes in traded equity investments taken to the profit or loss. The standard would not have a significant impact on the Company as its equities and derivatives are already recognised at fair value. The Company will apply the revised standard from 1 July 2013.

(ii) AASB 2009-5: *Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project* (effective for annual periods beginning on or after 1 January 2010).

In May 2009, the AASB issued a number of improvements to AASB 5: *Non-current Assets Held for Sale and Discontinued Operations*, AASB 8: *Operating Segments*, AASB 101: *Presentation of Financial Statements*, AASB 107: *Statement of Cash Flows*, AASB 117: *Leases*, AASB 118: *Revenue*, AASB 136: *Impairment of Assets* and AASB 139: *Financial Instruments, Recognition and Measurement*. The Company does not expect that any adjustments will be necessary as a result of applying the revised rules. The Company will apply the revised standards from 1 July 2010.

(iii) Revised AASB 124: *Related Party Disclosures* (effective for annual periods beginning on or after 1 January 2011).

The revised AASB 124 simplifies the definition of a "related party", clarifying its intended meaning and eliminating inconsistencies from the definition. The standard would not impact on the disclosures contained in the financial report. The Company will apply the revised standard from 1 July 2011.

(iv) AASB 2009-12: *Amendments to Australian Accounting Standards AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031; and Interpretations 2, 4, 16, 1039 and 1052* (effective for annual periods beginning on or after 1 January 2011).

The standard contains a variety of "editorial corrections", many of which reflect changes made to the text of equivalent IFRSs by the IASB. These changes will have no impact or effect on the financial report of the Company. The Company will apply the revised standards from 1 July 2011.

Notes to the Financial Statements

30 June 2010

	2010 $'000	2009 $'000
2. Income Tax		
(a) The income tax expense attributable to profit comprises:		
Current income tax provision	**1,744**	6,548
Deferred tax liabilities	**727**	870
Deferred tax assets	**3,761**	1,738
Under provision of prior period tax	**–**	6
Income tax expense	**6,232**	9,162
The aggregate amount of income tax attributable to the financial year differs from the prima facie amount payable on the profit.		
The difference is reconciled as follows:		
Profit before income tax expense	**23,467**	29,729
Prima facie income tax on profit at 30%	**7,040**	8,919
Tax effect on temporary differences which:		
Increase tax payable		
Deferred tax asset not recognised	**–**	526
Reduce tax payable		
Previously unrecognised tax losses now recouped	**(526)**	–
Allowable credits	**(282)**	(289)
Under provision of prior period tax	**–**	6
Income tax expense	**6,232**	9,162
(b) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Auditing and review	**12**	9
Taxation services	**8**	7
Shareholder communication and reporting	**53**	45
Capital expenditure not immediately deductible	**55**	36
Unrealised losses on financial assets	**1,062**	4,854
Deferred tax assets	**1,190**	4,951

	2010 $'000	2009 $'000
2. Income Tax CONTINUED		
(c) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Dividends receivable	**60**	48
Accounting/tax cost on investments	**1,662**	947
Deferred tax liabilities	**1,722**	995

For the year ended 30 June 2010 deferred tax assets of $nil (2009: $526,266) arising from unrealised investment losses have not been brought to account.

3. Financial Assets at Fair Value through Profit or Loss

Equity securities	**198,409**	174,108
Derivatives	**2,194**	(364)
Foreign currency contracts	**(4,908)**	3,839
	195,695	177,583

Refer to Note 1(c) for the accounting policy concerning fair value measurement.

4. Receivables

Proceeds on sale of financial assets	**50**	1,414
Interest receivable	**2**	2
Goods and Services Tax	**38**	35
Dividends receivable	**205**	152
Prepayments	**88**	80
Sundry debtors	**–**	40
	383	1,723

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. Information relating to the ageing of receivables is shown in Note 12.

Notes to the Financial Statements

30 June 2010

	2010 $'000	2009 $'000
5. Payables		
Payables on purchase of financial assets	**170**	268
Trade creditors (unsecured)	**571**	5,655
Unclaimed dividends payable to shareholders	**95**	114
	836	6,037

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. Information relating to the Company's exposure of payables to liquidity risk is shown in Note 12.

Included in the 2009 trade creditors was an amount of $5,147,000 which represents the Performance fee payable to Platinum Asset Management for the year ended 30 June 2009.

		2010 QUANTITY	2010 $'000	2009 QUANTITY	2009 $'000
6. Contributed Equity					
Opening balance		**148,766,069**	**171,672**	127,150,058	148,533
Reinvestment of unclaimed dividends	8-Sep-08 (b)	–	–	13,914	19
Dividend reinvestment plan	14-Nov-08 (a)	–	–	1,669,647	1,703
Rights Issue	26-Nov-08 (c)	–	–	16,315,484	17,458
Share Purchase Plan	5-Dec-08 (d)	–	–	1,914,355	2,010
Dividend reinvestment plan	6-Mar-09 (a)	–	–	1,676,550	1,911
Reinvestment of unclaimed dividends	19-May-09 (b)	–	–	26,061	38
Reinvestment of unclaimed dividends	10-Sep-09 (b)	**12,103**	**20**	–	–
Dividend reinvestment plan	17-Nov-09 (a)	**1,224,860**	**1,874**	–	–
Share Purchase Plan	3-Feb-10 (d)	**10,831,029**	**16,571**	–	–
Dividend reinvestment plan	9-Mar-10 (a)	**1,412,813**	**2,077**	–	–
Reinvestment of unclaimed dividends	19-May-10 (b)	**11,945**	**18**	–	–
		162,258,819	**192,232**	148,766,069	171,672

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

(b) 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.

(c) On 16 October 2008, the Company announced a Rights Issue in which eligible Australian and New Zealand shareholders were offered 1 share for every 1 fully paid ordinary share held as at 31 October 2008 at an issue price of $1.07 per share. On 26 November 2008, 16,315,484 shares were allotted.

Notes to the Financial Statements
30 June 2010

6. Contributed Equity CONTINUED

(d) On 22 October 2008, the Company announced a Share Purchase Plan (SPP) in which eligible Australian and New Zealand shareholders, were able to purchase shares up to a maximum value of A$5,000. The issue price was equal to a 5% discount of the weighted average price for the five trading days before the allotment date of 5 December 2008. On 5 December 2008, 1,914,355 shares were allotted.

In addition to the above, the Company announced a further SPP on 23 October 2009 in which eligible Australian and New Zealand shareholders were able to purchase shares up to a maximum value of A$15,000. The issue price being equal to a 5% discount of the weighted average price for the five trading days before the allotment date of 3 February 2010. On 3 February 2010, 10,831,029 shares were allotted.

Ordinary Shares

At 30 June 2010, Ordinary Shares on issue totalled 162,258,819 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 shares held.

7. Earnings per Share

	2010	2009
Basic earnings per share – cents per share	**11.16**	14.74
Diluted earnings per share – cents per share	**11.16**	14.74
Weighted average number of Ordinary Shares on issue used in the calculation of basic and diluted earnings per share	**154,368,621**	139,540,169

	$'000	$'000
Earnings used in the calculation of basic and diluted earnings per share	**17,235**	20,567

There have been no conversions to, calls of, or subscriptions for Ordinary Shares during 2009/2010 other than those issued under the Dividend Reinvestment Plan, and issues of Ordinary Shares pursuant to the Rights Issue and Share Purchase Plan. As there are no potential Ordinary Shares, diluted earnings per share equals basic earnings per share.

8. Retained Profits

	NOTES	2010 $'000	2009 $'000
Retained earnings at the beginning of the financial year		**24,942**	18,086
Net profit		**17,235**	20,567
Dividends provided for or paid	14	**(15,481)**	(13,711)
Retained earnings at the end of the financial year		**26,696**	24,942

9. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

	2010 $'000	2009 $'000
Cash at bank*	**101**	132
Cash on deposit**	**24,529**	18,143
	24,630	18,275

* Includes $90,000 (2009: $112,000) held in respect of unclaimed dividends on behalf of shareholders.

** Includes $16,654,000 (2009: $6,807,000) 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 0.10% to 5.20% (2009: 0.20% to 3.00%).

Notes to the Financial Statements
30 June 2010

9. Notes to the Statement of Cash Flows CONTINUED

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

	2010 $'000	2009 $'000
Profit after income tax	**17,235**	20,567
Decrease/(increase) in investment securities and forward currency contracts	**(18,112)**	(38,736)
Decrease/(increase) in cash due to exchange rate movements	**(864)**	(4,903)
Decrease/(increase) in settlements receivable	**1,364**	(1,271)
Decrease/(increase) in dividends receivable	**(53)**	(49)
Decrease/(increase) in interest receivable	**–**	19
Decrease/(increase) in Goods and Services Tax receivable	**(3)**	(6)
Decrease/(increase) in sundry debtors	**40**	(3)
Decrease/(increase) in prepayments	**(8)**	(6)
Decrease/(increase) in income tax receivable	**1,114**	1,301
(Decrease)/increase in accrued expenses	**(5,084)**	5,146
(Decrease)/increase in settlements payable	**(98)**	267
(Decrease)/increase in income tax payable	**412**	–
Decrease/(increase) in deferred tax assets	**3,761**	1,738
(Decrease)/increase in deferred tax liabilities	**727**	870
Net cash from operating activities	**431**	(15,066)

(c) Non-Cash Financing Activities

During the year 2,637,673 (2009: 3,346,197) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash under the Dividend Reinvestment Plan during the year totalled $3,951,000 (2009: $3,614,000).

10. Statement of Net Asset Value

Reconciling Net Asset Value in accordance with AIFRS to that reported to the ASX*

	2010 $'000	2009 $'000
Net Asset Value per Balance Sheet	**218,928**	196,614
Add:		
Difference between bid price under AIFRS and last sale price	**50**	144
Deferred Income tax asset on revaluation of investments not recognised in Balance Sheet	**–**	526
Less:		
Deferred income tax asset on movements on AIFRS and last sale price	**(15)**	(43)
Net Asset Value	**218,963**	197,241
Net Asset Value – cents per share	**134.95**	132.58

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

Notes to the Financial Statements
30 June 2010

11. Investment Portfolio

	QUANTITY	2010 FAIR VALUE $'000
Japan		
Ain Pharmaciez	17,300	**835**
Ajinomoto	2,700	**29**
Alpine Electronics	81,200	**1,183**
Canon	28,500	**1,275**
Credit Saison	47,800	**604**
CyberAgent	689	**1,223**
Daiwa Securities	360,500	**1,823**
Denso	108,930	**3,623**
Hamamatsu Photonics	46,900	**1,567**
Hirano Tecseed	88,000	**1,184**
Itochu Techno Solutions	10,634	**463**
JGB	(15)	**(223)**
KDDI	27	**154**
Kureha	119,700	**691**
Mitsubishi UFJ Financial	457,100	**2,441**
Miura	65,900	**1,790**
Nagano Bank	2,100	**5**
Nikon	19,300	**403**
Nisshin Fudosan	151,000	**1,168**
Nitto Denko	20,200	**798**
Obic	8,410	**1,944**
Pal	94,800	**3,997**
Promise	114,100	**922**
Shin-Etsu Chemical	16,300	**914**
SMC	8,355	**1,342**
Suzuken	36,900	**1,474**
T&D Holdings	71,900	**1,851**
Toyota Industries	75,800	**2,310**

11. Investment Portfolio CONTINUED

	QUANTITY	2010 FAIR VALUE $'000
Japan CONTINUED		
Toyota Motor	11,000	**456**
Ushio Denki	107,738	**1,998**
Yahoo Japan	3,101	**1,426**
Yamanashi Chuo Bank	64,895	**317**
Total Japan		**39,987**
Other Asia		
China		
Anton Oilfield Services	16,971,100	**1,841**
China Life Insurance	96,488	**(74)**
China Life Insurance – P – Note	506,841	**2,186**
China Rare Earth	6,733,500	**1,821**
China Resources Enterprise	907,325	**3,972**
Denway Motors	3,176,414	**1,786**
EcoGreen Fine Chemicals	11,547,400	**3,105**
Hsu Fu Chi International	770,000	**1,473**
Little Sheep	3,647,541	**2,591**
Ping An Insurance – H	196,300	**1,930**
Ping An Insurance – P – Note	67,997	**553**
TravelSky Technology – H	1,446,900	**1,410**
		22,594
Hong Kong		
China Resources Logic	1,027,500	**1,742**
Computime	8,232,300	**843**
Henderson Land Development	402,000	**2,819**
Henderson Land Right	80,400	**16**
Kerry Properties	106,677	**551**
		5,971

Notes to the Financial Statements

30 June 2010

	QUANTITY	2010 FAIR VALUE $'000
11. Investment Portfolio CONTINUED		
Other Asia CONTINUED		
India		
Ambuja Cements	182,396	**535**
Ascendas India Trust	261,169	**209**
Housing Development and Infrastucture	100,152	**641**
ICICI Bank	54,296	**1,198**
United Breweries	101,000	**523**
United Spirits	38,055	**1,277**
		4,383
Indonesia		
Ramanaya Lestari Sentosa	5,312,700	**660**
		660
Korea		
Kangwon Land	67,918	**1,211**
Korea Investment	60,059	**1,816**
KT	5,000	**218**
LG Display	16,740	**663**
Melfas	19,917	**1,010**
Samsung Electronics	6,101	**4,562**
SK Telecom	5,677	**880**
SK Telecom – ADR	16,198	**283**
		10,643
Malaysia		
Gamuda	553,000	**646**
Gamuda BHD – Rights	69,125	**26**
		672
Saudi Arabia		
Almarai	8,300	**(11)**
		(11)

	QUANTITY	2010 FAIR VALUE $'000
11. Investment Portfolio CONTINUED		
Other Asia CONTINUED		
Taiwan		
Polaris Securities	4,047,284	**2,112**
		2,112
Thailand		
Bangkok Bank – Foreign	200,924	**936**
Bangkok Bank – NVDR	799,060	**3,663**
		4,599
Vietnam		
Vietnam Enterprise	337,600	**763**
Vietnam Dairy Product	221,397	**16**
		779
Total Other Asia		**52,402**
Australia		
Commonwealth Bank of Australia	(30,992)	**97**
Vantage Goldfields	1,000,000	**350**
Vantage Goldfields – Call Option	500,001	**19**
Total Australia		**466**
Europe – Euro		
Finland		
Stora Enso	45,000	**390**
UPM-Kymmene	65,300	**1,037**
		1,427

Notes to the Financial Statements
30 June 2010

11. Investment Portfolio CONTINUED

	QUANTITY	2010 FAIR VALUE $'000
Europe – Euro CONTINUED		
France		
Areva	1,253	**622**
Carrefour	33,500	**1,596**
CFAO	21,811	**704**
FRTR	641	**13**
Groupe Eurotunnel	42,200	**342**
Lagardere	38,025	**1,422**
Pernod Ricard	26,023	**2,423**
PPR	13,929	**2,078**
Sanofi-Aventis	44,000	**3,168**
Schneider Electric	17,291	**2,105**
Veolia Environnement	68,027	**1,916**
		16,389
Germany		
Adidas	28,200	**1,630**
Allianz	26,892	**3,193**
Bayerische Motoren Werke	62,500	**3,640**
Dax Index Future	(10)	**45**
Henkel KGAA – Vorzug	72,395	**4,216**
Hornbach Baumarkt	36,656	**1,981**
Hornbach	11,860	**1,309**
Infineon Technologies	355,394	**2,499**
Qiagen	86,460	**1,987**
SAP	40,352	**2,153**
Siemens	45,249	**4,857**
		27,510

11. Investment Portfolio CONTINUED

	QUANTITY	2010 FAIR VALUE $'000
Europe – Euro CONTINUED		
Netherlands		
Crucell	20,965	**456**
Royal Dutch Shell	61,714	**1,864**
		2,320
Total Europe – Euro		**47,646**
Europe – Other		
Sweden		
Atlas Copco	(145,763)	**202**
SKF	(173,592)	**(114)**
		88
Switzerland		
Roche	11,000	**1,811**
		1,811
United Kingdom		
Reed Elsevier	285,380	**2,527**
		2,527
Total Europe – Other		**4,426**
North America		
Canada		
Bombardier	349,300	**1,890**
Cameco	25,200	**637**
Canfor Pulp Income Fund	28,300	**456**
Domtar	17,883	**1,041**
Great Basin Gold	111,300	**224**
Kinross Gold	31,000	**629**
West Fraser Timber	6,700	**248**
		5,125

Notes to the Financial Statements

30 June 2010

11. Investment Portfolio CONTINUED

	QUANTITY	2010 FAIR VALUE $'000
North America CONTINUED		
United States		
Amdocs	49,290	**1,575**
Applied Materials	77,082	**1,102**
Autozone	(2,500)	**(1)**
Barrick Gold	25,900	**1,399**
Caliper Life Sciences	63,114	**320**
Cisco Systems	189,800	**4,808**
Cummins	(54,330)	**(143)**
Danaher	(19,388)	**79**
eBay	11,200	**261**
Electronic Arts	131,639	**2,253**
Ener1	119,900	**482**
Far East Energy	706,500	**328**
Freddie Mac	200,000	**147**
Goodrich	(3,000)	**14**
Incyte	19,346	**254**
International Paper	43,966	**1,183**
Ishares Real Estate – ETF	(58,702)	**195**
Johnson & Johnson	87,000	**6,109**
KBR	32,806	**793**
Macerich	(4,500)	**25**
Mercer International	89,000	**422**
Merck	116,200	**4,829**
MGIC Investment	83,000	**679**
Microsoft	160,000	**4,377**
Newmont Mining	42,050	**3,087**

11. Investment Portfolio CONTINUED

	QUANTITY	2010 FAIR VALUE $'000
North America CONTINUED		
United States CONTINUED		
Qualcomm	52,000	**2,030**
Russel	(72)	**496**
S&P	(95)	**480**
Smurfit-Stone Container	1,899	**56**
Sotheby's	41,075	**1,118**
Staples	(11,338)	**39**
Sunpower – A	49,600	**713**
Synthetic Retail Basket	(80,993)	**791**
T Rowe Price	(12,164)	**56**
Transocean	6,000	**330**
VFC	(21,500)	**145**
Weyerhaeuser	3,791	**159**
Whirlpool	(2,614)	**47**
XOMA	127,145	**63**
Yahoo	198,000	**3,257**
		44,357
Total North America		**49,482**
South America		
Brazil		
Grendene	226,500	**1,156**
		1,156
Peru		
Bayer Peru – Trabajo	77,287	**317**
Peru Holding De Turismo – Trabajo	1,667,523	**63**
		380
Total South America		**1,536**

Notes to the Financial Statements

30 June 2010

	QUANTITY	2010 FAIR VALUE $'000
11. Investment Portfolio CONTINUED		
Africa		
South Africa		
AngloGold Ashanti – ADR	67,420	**3,458**
Total South Africa		**3,458**
Zimbabwe		
Dawn Securities	1,806,672	**22**
Innscor Africa	1,545,692	**993**
Murray and Robert	200,000	**40**
Riozim	48,989	**145**
		1,200
Total Africa		**4,658**
Liquids		
Outstanding settlements		**85**
Forward currency contracts		**(4,908)**
Cash on deposit		**24,529**
Total Liquids		**19,706**
Total Investment Portfolio Notes 12(c)		**220,309**
Accounted for in payables (payables on purchase of investments)		**170**
Accounted for in receivables (proceeds on sale of investments)		**(50)**
Accounted for in receivables (dividends receivable)		**(205)**
Accounted for in Financial Assets ($195,695,000 as per Note 3) and Cash on Deposit ($24,529,000 as per Note 9(a))		**220,224**

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

Number of transactions – 2,265 Total brokerage paid – $1,579,807

12. Financial Risk Management

(a) Financial Risk Management Objectives, Policies and Processes

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

Platinum Asset Management's investment style:

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

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

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

(iv) actively manages currency.

Derivatives (which include equity swaps and futures) are utilised for risk management purposes and to take opportunities to increase returns. The underlying value of derivatives held by the Company may not exceed 100% of the portfolio value. The underlying value of long stocks and derivative contracts may not exceed 150% of the portfolio value. Where options are employed, the underlying value will be delta adjusted exposure. Compliance with these limits is reviewed by the Board and Audit and Risk Committee on a continuous basis. The Company does not enter or trade derivatives for speculative purposes.

(b) Investments at Fair Value and Derivative Exposure

2010	PHYSICAL $'000	LONG DERIVATIVE CONTRACTS $'000	SHORT DERIVATIVE CONTRACTS $'000	NET EXPOSURE $'000
Japan	**40,210**	**–**	**(28,584)**	**11,626**
Other Asia	**52,470**	**2,156**	**–**	**54,626**
Australia	**350**	**117**	**(1,508)**	**(1,041)**
Europe – Euro	**47,588**	**–**	**(2,138)**	**45,450**
Europe – Other	**4,338**	**–**	**(6,298)**	**(1,960)**
North America	**47,259**	**–**	**(33,022)**	**14,237**
South America	**1,536**	**–**	**–**	**1,536**
Africa	**4,658**	**–**	**–**	**4,658**
	198,409	**2,273**	**(71,550)**	**129,132**

Notes to the Financial Statements
30 June 2010

12. Financial Risk Management CONTINUED

(b) Investments at Fair Value and Derivative Exposure CONTINUED

2009	PHYSICAL $'000	LONG DERIVATIVE CONTRACTS $'000	SHORT DERIVATIVE CONTRACTS $'000	NET EXPOSURE $'000
Japan	47,331	–	(4,458)	42,873
Other Asia	41,701	–	–	41,701
Australia	289	–	–	289
Europe – Euro	39,321	–	–	39,321
Europe – Other	2,172	–	(1,543)	629
North America	38,421	–	(27,023)	11,398
South America	1,441	–	–	1,441
Africa	3,432	–	(2,819)	613
	174,108	–	(35,843)	138,265

The "Physical" column represents the location of the Company's investments.

The "Long/Short Derivative Contracts" columns includes the notional value of long/short equity swaps and futures.

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

12. Financial Risk Management CONTINUED

(c) Market Risk

(i) Foreign Exchange Risk

Foreign exchange risk is the risk the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company operates internationally and is exposed to foreign exchange risk arising from buying, selling and holding investments denominated in foreign currency. Platinum Asset Management selects stocks based on value regardless of geographic location.

Currency hedging is an integral part of the management of currency risk. Platinum Asset Management may position the Company's Portfolio in what it believes will be a stronger currency(ies). At 30 June 2010, the Company's principal currency exposures were US Dollar (29%), Australian Dollar (16%), Euro (15%) and Hong Kong Dollar (12%).

Platinum Asset Management may use forward foreign exchange contracts, and futures and option contracts on foreign exchange rate contracts, to position the Portfolio in the desired currencies. A currency exposure may be hedged into a different currency from which the exposure is maintained (for example, US Dollar hedges may be used to hedge the currency risk of holding investments in Hong Kong Dollars).

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

Notes to the Financial Statements

30 June 2010

12. Financial Risk Management CONTINUED

(c) Market Risk CONTINUED

(i) Foreign Exchange Risk CONTINUED

The table below summarises the Company's investment exposure at fair value to foreign exchange risk:

2010	PHYSICAL $'000	BOUGHT $'000	SOLD $'000	NET EXPOSURE $'000
Japan	**42,917**	**–**	**(37,020)**	**5,897**
Other Asia	**54,804**	**11,623**	**–**	**66,427**
Australia	**(3,717)**	**56,170**	**(16,450)**	**36,003**
Europe – Euro	**47,755**	**11,942**	**(26,250)**	**33,447**
Europe – Other	**5,008**	**15,978**	**(7,974)**	**13,012**
North America	**70,806**	**37,225**	**(45,244)**	**62,787**
South America	**1,536**	**–**	**–**	**1,536**
Africa	**1,200**	**–**	**–**	**1,200**
	220,309	**132,938**	**(132,938)**	**220,309**

2009	PHYSICAL $'000	BOUGHT $'000	SOLD $'000	NET EXPOSURE $'000
Japan	50,343	2,669	(27,091)	25,921
Other Asia	42,854	391	–	43,245
Australia	7,245	44,849	(4,450)	47,644
Europe – Euro	42,370	16,837	(16,576)	42,631
Europe – Other	1,649	8,739	(2,001)	8,387
North America	51,228	18,115	(41,482)	27,861
South America	1,441	–	–	1,441
Africa	(106)	–	–	(106)
	197,024	91,600	(91,600)	197,024

Forward foreign currency contracts and options on forward currency contracts are adjusted against the "Physical" column to arrive at a "Net Exposure" for each currency grouping.

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

12. Financial Risk Management CONTINUED

(c) Market Risk CONTINUED

(i) Foreign Exchange Risk CONTINUED

Foreign exchange risk sensitivity analysis

At 30 June 2010, had the Australian Dollar weakened/strengthened by 10% against the US Dollar with all other variables held constant, net profit would have been A$7,145,154/A$5,846,035 higher/lower (2009: A$2,938,914/A$2,404,568 higher/lower). Likewise, had the Australian Dollar weakened/strengthened by 10% against the Euro with all other variables held constant, net profit would have been A$3,714,836/A$3,039,412 higher/lower (2009: A$4,736,830/A$3,875,588 higher/lower). Similarly, had the Australian Dollar weakened/strengthened by 10% against the Hong Kong Dollar with all other variables held constant, net profit would have been A$2,928,515/A$2,396,058 higher/lower (2009: A$2,648,283/A$2,166,777 higher/lower).

A sensitivity of 10% has been selected as this is considered reasonably possible given the volatility of current exchange rates.

The sensitivity analysis is based on the impact of foreign currency movements on monetary assets and liabilities, held at reporting date, such as cash and forward contracts, as well as non-monetary assets, such as equities. The sensitivity analysis shows that the Company is materially affected by exchange rate movements (other things being equal) given the global nature of the investments held.

Throughout 2009/2010, the Australian Dollar remained relatively strong against major currencies and hence currency hedging was undertaken to mitigate some of the adverse impact on returns.

(ii) Interest Rate Risk

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

The overwhelming majority of the Company's financial assets and liabilities are non-interest bearing as the Company has a policy of not borrowing, other than for settlement of trades. Therefore, there is no liability exposure to interest rate risk.

Interest rate risk indirectly affects the Company, because interest rate movements will affect forward points used in determining gains or losses on forward contracts. The impact of interest rate movements on our investments is not capable of precise estimation.

At 30 June 2010 and 2009, if interest rates had changed by –/+100 basis points with all other variables held constant, the direct impact on interest receivable would not be significant for the Company.

Notes to the Financial Statements
30 June 2010

12. Financial Risk Management CONTINUED

(c) Market Risk CONTINUED

(iii) Price Risk

Market prices fluctuate because of a range of factors specific to the individual investments, or factors affecting the market in general.

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

An additional risk management tool is that the Company may enter into short equity swaps and futures to protect against market movements. At 30 June 2010, the Company maintained short positions against company specific stocks and market indices. The use of index derivatives allows the Company to invest in specific companies, whilst providing some degree of protection against more general adverse market price movements.

Price risk sensitivity analysis

Price risk exposure arises from the Company's investment portfolio which comprises investments in listed and unlisted securities and derivatives. The effect on profit due to a possible change in market factors, as represented by a –/+5% movement in key regional equity indices affecting the market (and securities/derivatives) that the Company predominantly invests in, with all other variables held constant, is indicated as follows:

At 30 June 2010, if the United States S&P index had increased/decreased by 5% with all other variables held constant, this would have increased/decreased profit of the Company by approximately A$665,008 (2009: A$623,447). Similarly, if the Japanese Nikkei 225 index had increased/decreased by 5% with all other variables held constant, this would have increased/decreased profit of the Company by approximately A$2,010,508 (2009: A$2,143,634).

A sensitivity of 5% has been selected as this is considered reasonably possible. However, given the present volatility of global markets, increases or decreases greater than this are possible.

12. Financial Risk Management CONTINUED

(c) Market Risk CONTINUED

(iii) Price Risk CONTINUED

The above analysis is based on the assumption the Company's investments move in correlation with the indices. The indices provided above are reference points only. Actual movements in stock prices may vary significantly to movements in the index.

The above sensitivity analysis for price risk is unrepresentative of the market exposure for the Company because Platinum Asset Management does not invest by reference to the weighting or inclusion of a security in a specific index. An investment management style where the composition of the portfolio is by reference to global share index weightings are often referred to as "index managers". Index managers try to match a particular index by investing in securities that are representative of that index.

(d) Credit Risk

Credit risk relates to the risk of a counterparty defaulting on a financial obligation resulting in a loss to the Company (typically "non-equity" financial instruments).

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

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

	2010 $'000	2009 $'000
Ratings		
AA	**558**	–
A+	**21,539**	16,193
A	**8,883**	8,559
AA–	**640**	–
Total	**31,620**	24,752

Source: Platinum and Standard & Poor's.

Notes to the Financial Statements
30 June 2010

12. Financial Risk Management CONTINUED

(d) Credit Risk CONTINUED

Platinum Asset Management regularly monitors the Company's credit risk exposure to counterparties and seeks to manage the risk by spreading exposure over a number of counterparties, by signing standard ISDA (International Swaps and Derivatives Association) master agreement and net settlement contracts, employing two-way symmetrical margining of unrealised profits and losses and by controlling the duration of contracts to be short-term.

Transactions in listed securities and investments generally, are only entered into with approved brokers. Payment is only made once a broker has received securities and delivery of securities sold only occurs once the broker receives payment.

Ageing analysis
The Company's ageing analysis of receivables at 30 June 2010 is $228,491 (0-30 days) (2009: $1,494,549), $44,065 (31-60 days) (2009: $7,757), $44,485 (61-90 days) (2009: $118,179), $65,990 (90+ days) (2009: $1,216,300).

(e) Liquidity Risk

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

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

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

At 30 June 2010, the contractual maturity for amounts payable in no more than three months for unsettled trades which total $170,425 (2009: $267,773), trade creditors and dividends payable which total $666,351 (2009: $5,769,257 including Performance fees) and between three and six months for income tax payable which total $411,778 (2009: nil).

The Company has sufficient funds to meet these liabilities as the value of assets realisable in one year or less is $220,176,000 (2009: $202,612,000).

Assets that are realisable in one year or less include equities, derivatives, cash and cash equivalents.

At 30 June 2010, the contractual maturity for settlement of derivative contractual outflows is $564,624 (2009: $784,288) for amounts payable within three months. At 30 June 2010, there are no other contractual amounts due or payable after three months.

12. Financial Risk Management CONTINUED

(e) Liquidity Risk CONTINUED

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

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

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

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

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

(f) Fair Value Hierarchy

The Company has adopted the amendments to AASB 7: *Financial Instruments Disclosures* effective 1 July 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices) (level 2); and

(iii) inputs for the assets or liability that are not based on observable market data (unobservable inputs) (level 3).

At 30 June 2010, $194,900,000 of financial assets at fair value through profit or loss are classified as level 1, $795,000 as level 2 and $nil as level 3.

Notes to the Financial Statements

30 June 2010

12. Financial Risk Management CONTINUED

(g) Capital Risk Management

The Company considers its capital to comprise ordinary share capital and accumulated retained earnings.

The Company's objective is to seek long-term capital growth by investing in undervalued securities across the world, so to continue to provide returns to shareholders. The Directors have a policy of smoothing dividend payments over time, but this is subject to the return over time from the investment portfolio. In addition, the Company may adjust its capital structure by issuing new shares, via rights issues, share purchase plans or dividend reinvestment plans.

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

	2010 $'000	2009 $'000
13. Franking Account		
Opening balance based on tax paid and franking credits attached to dividends paid – converted @ 30%	**19,131**	18,453
On tax paid and payable:		
2008/2009	**–**	6,548
2009/2010	**1,744**	–
Prior year tax provision – franking adjustment	**–**	6
Dividend paid – franked @ 30%	**(6,635)**	(5,876)
	14,240	19,131

	2010 CPS	2010 $'000	2009 CPS	2009 $'000
14. Dividends (fully franked)				
Paid – 14 November 2008	**–**	**–**	5.00	6,358
Paid – 6 March 2009	**–**	**–**	5.00	7,353
Paid – 17 November 2009	**5.00**	**7,439**	–	–
Paid – 9 March 2010	**5.00**	**8,042**	–	–
		15,481		13,711

Dividends not recognised at year-end

	2010 $'000	2009 $'000
In addition to the above dividends, since year-end the Directors have declared the payment of a dividend of 5 cents per fully paid Ordinary Share, fully franked based on tax paid at 30%. The aggregate amount of the dividend expected to be paid on 2 September 2010 but not recognised as a liability at year-end is:	**8,113**	7,438

Notes to the Financial Statements
30 June 2010

15. Investment Manager

The Investment Manager, Platinum Investment Management Limited, 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 (which includes cash and deposits).

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.

At 30 June 2010 the annual pre-tax performance of the portfolio was positive 9.34% and the corresponding MSCI was positive 6.97%. Even though there is an outperformance of 2.37% against the MSCI, this does not represent an outperformance after the 5% MSCI hurdle. Accordingly, a Performance fee has not been accrued.

Platinum Asset Management 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 Platinum Asset Management. 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.

Fees paid and payable to Platinum Asset Management for the year is shown in the table below:

	2010 $	2009 $
Management fee	**3,174,343**	2,674,138
Performance fee	**–**	5,146,911
	3,174,343	7,821,049

15. Investment Manager CONTINUED

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

(a) The terms of the Agreement require Platinum Asset Management to:
- (i) invest and manage the Portfolio in accordance with the Agreement;
- (ii) confer with the Board of the Company at regular intervals in respect of the investment and management of the Portfolio;
- (iii) exercise all due diligence and vigilance in carrying out its functions, powers and duties under the Agreement;
- (iv) promptly notify the Board of any instructions given to it by the Company which have not been complied with; and
- (v) appoint Mr Neilson as Managing Director of the Company.

(b) Each party is to provide three months' notice to terminate the Agreement. The Company, however, may immediately terminate the Agreement where Platinum Asset Management:
- (i) becomes subject to a receiver, receiver and manager, administrative receiver or similar person;
- (ii) goes into liquidation;
- (iii) ceases to carry on business in relation to its activities as an Investment Manager;
- (iv) breaches a material provision of the Agreement, or fails to observe or perform any representation, warranty or undertaking given by the Investment Manager under the Agreement; or
- (v) sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of the Investment Manager or beneficial interest therein, other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by the Company.

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

Notes to the Financial Statements
30 June 2010

16. Contingent Assets, Liabilities and Commitments for Expenditure

No contingent assets or liabilities exist at 30 June 2010 and 30 June 2009. The Company has no commitments for uncalled share capital on investments.

17. Segment Information

The Company is organised into one main operating segment with only one key function, being the investment of funds internationally, however AASB 8 requires the disclosure of revenue by geographical location and investment type.

(a) Revenue by geographical location is outlined below.

	2010 $'000	2009 $'000
Japan	**(2,086)**	5,286
Other Asia	**13,823**	7,542
Australia	**462**	911
Europe – Euro	**7,846**	(1,990)
Europe – Other	**(1,980)**	(290)
North America	**6,342**	16,182
South America	**705**	1,969
South Africa	**(238)**	29
Unallocated revenue – Net gains on forward currency contracts	**3,719**	9,820
Total	**28,593**	39,459

(b) Revenue by investment type is outlined below.

	2010 $'000	2009 $'000
Equity securities	**30,992**	39,500
Derivatives	**(6,793)**	(14,347)
Foreign currency contracts	**3,719**	9,820
Bank accounts	**675**	4,486
Total	**28,593**	39,459

18. Events Occurring after Balance Sheet Date

No significant events have occurred since balance date which would impact the Balance Sheet of the Company as at 30 June 2010 and the results for the year ended on that date.

19. Key Management Personnel Disclosures

(a) Details of Remuneration

Non-Executive Directors

During the financial year the Company paid the Non-Executive Directors (B Phillips, B Coleman, R Morath and P Clarke) salaries of $170,707 (2009: $167,057) and superannuation of $29,364 (2009: $15,035).

Executive Directors

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. 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 Platinum Capital Limited. Platinum Asset Management paid Executive Directors of the Company short-term compensation of $1,648,400 (2009: $891,259) and superannuation of $124,983 (2009: $249,975).

Platinum Asset Management provided for the Executive Directors total additional long service leave of $20,454 (2009: $36,018) and provided a decrease in total annual leave of $37,931 (2009: $22,298).

(b) Interests of Non-Executive and Executive Directors in Shares

P Clarke (retired on 23 October 2009) held 26,096 shares at 1 July 2009, acquired nil shares and disposed of nil shares until his date of retirement.

B Coleman held 200,000 shares at 1 July 2009, acquired nil shares during the year, disposed of nil shares during the year and held 200,000 shares at 30 June 2010.

K Neilson held 1,648,039 shares at 1 July 2009, acquired nil shares during the year, disposed of nil shares during the year and held 1,648,039 shares at 30 June 2010.

A Clifford held 1,412,006 shares at 1 July 2009, acquired nil shares during the year, disposed of nil shares during the year and held 1,412,006 shares at 30 June 2010.

M Halstead held 414,607 shares at 1 July 2009, acquired nil shares during the year, disposed of nil shares during the year and held 414,607 shares at 30 June 2010.

Notes to the Financial Statements
30 June 2010

20. Related Party Information

Key Management Personnel

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

Related Parties

Disclosures relating to fees paid and payable to Platinum Investment Management Limited, a related party, are set out in Note 15. There were no other payments to related parties other than those disclosed in the accounts.

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 8, 7 Macquarie Place
Sydney NSW 2000

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

Directors' Declaration

In the Directors' opinion,

(a) the financial statements and notes set out on pages 28 to 70 are in accordance with the *Corporations Act 2001* including:

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

  (ii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board; and

  (iii) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

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

(c) the audited remuneration disclosures set out on pages 14 to 17 of the Directors' Report comply with AASB 124: *Related Party Disclosures* and the *Corporations Act 2001*.

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*.

Bruce Phillips
Chairman

Kerr Neilson
Director

Sydney, 9 August 2010

Independent Auditor's Report

To the members of Platinum Capital Limited

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Report on the financial report

We have audited the accompanying financial report of Platinum Capital Limited (the Company), which comprises the Balance Sheet as at 30 June 2010, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration for Platinum Capital Limited.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Platinum Capital Limited is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the Company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Independent Auditor's Report

To the members of Platinum Capital Limited continued

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 17 of the Directors' Report for the year ended 30 June 2010. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Platinum Capital Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

AJ Wilson
Partner

Sydney, 9 August 2010