



ANNUAL REPORT 2007



Platinum<sup>®</sup>  
ASSET MANAGEMENT

ABN 13 050 064 287

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## Chairman's Report



The Company listed on the Australian Securities Exchange on 23 May 2007, after an Initial Public Offering in which 25 per cent of the Company's shares were sold to Platinum Asset Management's clients, employees and the public.

The Company is the non-operating holding company of the investment manager, Platinum Asset Management.

### OBJECTIVE

Platinum Asset Management's founders' objective is plain: manage people's money thoughtfully and well, and the business should prosper.

Platinum Asset Management's mandate is to continue investing in companies which it perceives to be under-valued rather than by reference to macro economic modelling (top-down asset allocation) or global market indexes (benchmarking).

As an employee-led organisation, the founders have a preference for steady, long-term goals for growth.

As a provider of wealth management products both in Australia and abroad, the Company's growth and prospects are well-founded. Market volatility will periodically cloud our outlook, yet, if we hold true to the founders' underlying principles, the business should prosper over the years.

### RESTRUCTURE

The Company became an unlisted Public company on 10 April 2007. Prior to this a restructure was undertaken in preparation for the listing.

As a result of the restructure, the Company had 561,000,000 ordinary shares on issue and beneficially held 100% of the issued share capital of Platinum Asset Management. The Company changed its name to Platinum Asset Management Limited.

At the date of this report employees have a relevant interest in 72.4% of the issued shares.

Public company listing on the ASX brings a new regulatory framework and additional responsibilities to a new group of public shareholders. An important role for the new Board is to absorb as much of those responsibilities as possible so management can continue to focus on investing clients' funds which will ultimately result in the optimal return to all our Shareholders.

## **PERFORMANCE**

The Income Statement presented in the 2007 financial accounts together with the 2006 comparative figures include revenues and expenses derived by the Company prior to the restructure mentioned above.

I refer you to page 83 of the Annual Report where a "pro-forma" Income Statement for the Company, which excludes the non-Platinum Asset Management items, is presented. This is a measure of the operating profit of the Company's Platinum Asset Management fund management business. This is comparable to the pro-forma Income Statement contained in the IPO Prospectus.

The results are broadly in line with the Prospectus forecast. Owing to a slightly better than forecast revenue outcome the pre-tax profit is 4% better than the Prospectus. As a result the diluted EPS (earnings per share) is 30.4 cents compared to the 28.4 cents Prospectus forecast.

Once the impact of the "pre-acquisition" elements are eliminated, the operating profit before tax derived by the consolidated entity for the year ended 30 June 2007 is \$248.5 million (2006: \$268.0 million) a decline of 7.3%. Similarly, operating profit

after tax for the year ended 30 June 2007 is \$171.5 million (2006: \$187.6 million) a decline of 8.6%. The reduction in operating profit is due to:

- a decline in performance fees of 53.3% from \$80.5 million in 2006 to \$37.6 million in 2007. Performance fees are volatile, largely in line with absolute investment returns; and
- the impact of one-off costs of \$22 million relating to the Offer of Shares and associated re-organisation costs.

The change in Funds Under Management (FUM) was:

Year to 30 June	2007 \$'000	2006 \$'000
Opening FUM	18,985	14,312
Platinum Trust Funds	1,559	3,218
MLC – Platinum Global Fund	(630)	(843)
Management Fee Mandates	206	216
Performance Share Fee Mandates	(441)	81
Net Funds Flow (net of annual distribution paid to unit holders)	694	2,672
Investment Performance	1,540	2,001
Closing FUM	21,219	18,985

The Company earns management fees as a percentage of FUM. The increase in FUM for the year was 12% but the year end FUM was 5% short of the Prospectus forecast of \$22,349,000,000. The FUM at 21 August 2007 was \$21,512,000,000.

The annualised (compounded) investment returns of the publicly disclosed products were for the years to 30 June 2007:

30 June 2007	1 year	2 years	3 years	5 years	7 years	10 years
Platinum International Fund	6.18	16.01	9.79	9.85	11.59	15.87
Platinum Unhedged Fund	12.52	26.41	–	–	–	–
Platinum Asia Fund	32.11	30.21	35.63	–	–	–
Platinum European Fund	18.01	21.84	15.47	14.27	13.43	–
Platinum Japan Fund	(9.57)	9.86	7.69	10.63	5.96	–
Platinum International Brands Fund	9.83	18.01	19.07	14.64	17.66	–
Platinum International Health Care Fund	(0.70)	10.67	2.75	–	–	–
Platinum International Technology Fund	5.79	17.52	5.58	9.97	10.38	–
Platinum Capital Limited	5.48	15.30	9.41	10.17	13.60	16.60
MLC-Platinum Global Fund	9.85	17.10	10.71	11.15	8.58	14.49
Platinum Fund Limited	13.14	16.68	12.03	14.04	15.49	15.48
Platinum Japan Fund Limited	1.64	12.26	11.45	15.14	8.48	–

## DIVIDEND POLICY

As a financial service provider with limited capital requirements, the need for retained profits is slight. Owing to the volatility caused by the Performance Share Fee component of revenues, the Directors intend to smooth Dividend payments and anticipate paying out 80% to 90% of net profit after tax. This is a policy, not a guarantee.

A Dividend was paid in respect of the period to 28 February 2007.

The Directors anticipate that the next Dividend will be a fully franked interim Dividend paid in March 2008 and that a fully franked final Dividend will be paid around November 2008.

The Directors are confident that future dividends will be fully franked.

## **OUTLOOK**

Your Board has considered whether it is appropriate to offer earnings guidance or forecasts.

For an investment management company, such as Platinum, to forecast earnings requires a view to be taken on the future level of all currencies against the A\$, the future level of all stock markets in the world, to forecast dividend yields of the companies invested in, to forecast how the share price performance of companies in which we are invested will deviate from those forecast share market levels, indeed to forecast what companies we will indeed be invested in. Additionally, it requires us to forecast fund flows, for which we have no sound methodology upon which to base a prediction.

Needless to say this is fraught with danger, imprecision and potentially misleading and something which does not sit comfortably with the Board.

Accordingly your Board will not be offering earnings guidance or forecasts.

A number of brokers' analysts are covering the stock and you may find some of their reports on the Company's website. Currently the consensus broker EPS forecast is 34.0 cents, an increase of 11% over last year. Let me restate that your Directors offer no comment on that forecast.

Over the past month the upward direction of equity markets has been halted by the exposure of the severe excesses in the global credit markets, which are detailed

in the Managing Director's letter to shareholders. This is a significant event. As a result investment skill will return to drive performance rather than equity market momentum. In this more rational investment environment we believe that our rigorous analytical process and current investment positions will enhance performance over the coming year.

#### **ENVIRONMENT**

In past years Platinum has addressed different aspects of resource exploitation with various articles published on its website. In 2003 it wrote about the impending price squeeze on oil, "What price for the last drops?" and this was followed in 2004 with "China's water crises could shake world food security." This year it is publishing part of an internal note written by one of its analysts, Curtis Cifuentes, titled "The Case for Solar Energy."

I can report that your Company is carbon neutral, having purchased carbon credits to offset its carbon emissions. The next step being undertaken by the staff is to reduce carbon emissions. This is an ongoing task which is pro-actively monitored.

#### **CONCLUSION**

Your Directors are encouraged by the results from the Company's first period after listing. I look forward to reporting favourably to Shareholders in the years ahead.

**Michael Cole**

CHAIRMAN



## Managing Director's letter to shareholders

**F**irstly, I welcome you as fellow shareholders and thank you for putting your trust in our business. As you are aware this is a new experience for us at Platinum as we have hitherto had a small shareholder base made up principally of employees. This has allowed us to take a long term view and at times this might have cut across conventional wisdom. This style of independence impinges on how we communicate with our stakeholders in terms of clarity, expression and intent. The founders will do their utmost to adhere to this approach of independent thinking.

As laid out in the IPO prospectus, the principal purpose of offering shares to the public was to give existing shareholders a market in which to value and trade their holdings; to give other employees a stake in the business and to offer the users of our investment products a mutual interest in the fund management company.

Since listing the firm has continued to progressively develop the investment team. As we noted in the prospectus, over the years we have gradually built the team, which at times involves loss of members, and we have continued to recruit, principally from outside the industry. On occasions we also bring in those from the investment industry to augment our skills and also to benefit from cross pollination. The team is consequently extremely strong and deep.

As a listed entity one measure that is likely to receive more prominence than before is the amount of funds we manage; so-called funds under management or FUM. In our experience this is significantly influenced by the performance of our individual funds. At times because of our style and/or our investment philosophy, we will be in tune with the prevailing market sentiment; at other times we will be out of synchrony. It is at these times you as investors will be challenged in the same way as we are when appraising companies. The issue will be to assess whether we have lost our touch/discipline or are simply going through a 'pause to refresh'. At those times the content and tone of our Quarterly Investment Reports will be most valuable in

helping you to make a sound assessment of the health of our investment process and importantly, its implementation. To date we have found no refuge in dissimulating and hope that we can continue to convey reality as we see it. Denial seldom produces long standing performance and it can begin an insidious process of deterioration.

The publicity given to the float and concerns that this had raised regarding commitment of senior members of the team, seems to have caused there to be some slowing of flows in the second quarter. This was exacerbated by investors becoming very impatient with our Japanese funds. These saw significant redemptions in both the Australian-based product and that based in Bermuda. Anyhow, these outflows combined with pre-distribution redemptions (sometimes driven by tax considerations) as well as the traditional year-end distribution (\$915 million net of re-investments) saw a 4% contraction of FUM from the prospectus date. Fortunately our policy of offering a family of funds generally tends to help even out periods of weak individual fund performance. A new fund was offered in February, the Platinum Unhedged Fund, and this is gradually being discovered by investors who wish to have their funds managed by us for the stock-picking element, unadulterated by any hedging for market or currency risk.

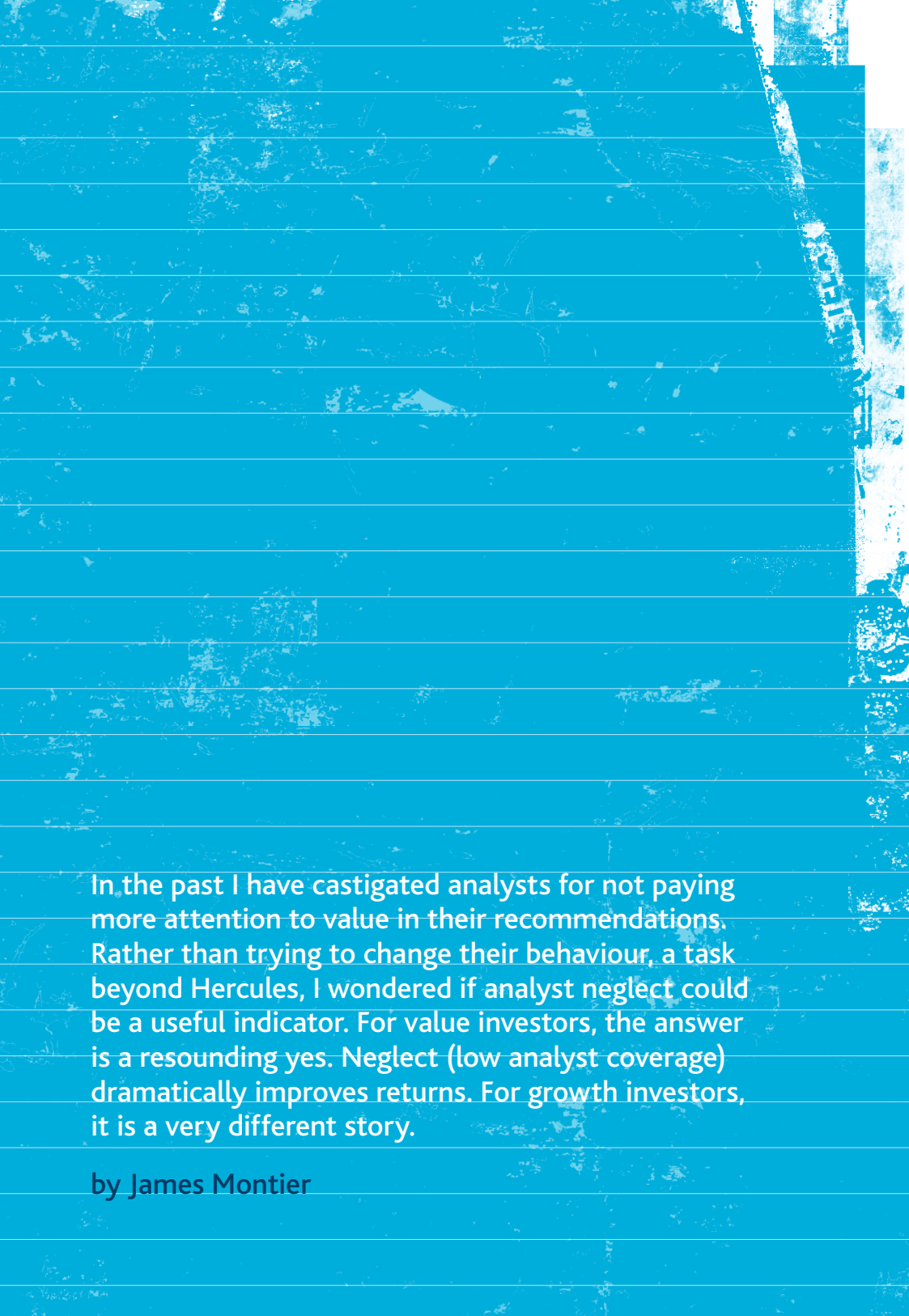
Sadly, we are always prone to error. Fortunately we are able to learn from our past mistakes (and stupidity) but the delight of human experience is that our inventiveness to make exciting new errors is undiminished!! This last year it was the strong belief that the impact of careless lending practices would result in heavy losses to investors. That this will be the outcome, we are virtually certain. What we have learned though, is that it may endure for some time still. This is the torment of investing with an eye to trying to play both sides of the bet, namely, to give investors a reasonable risk-adjusted return yet to participate in the profit that is offered by markets.

As you will have read from the Quarterly Investment Report, we see China as potentially having a remarkable boom in asset prices. Equally, we see the rest of Asia having in prospect an open vista of new opportunities on the back of improved financial health and low indebtedness. The English-speaking world, with its enthusiasm for free markets may be in for a more torrid period as at some time there is a repricing of risk though this is likely to impinge on all financial markets. However, the structural improvements in Asia should see it recover much faster and it could arguably de-link from the more slothful Western markets. We are at a time of a paradigm shift that is usually accompanied by turbulence in markets that is in excess of its impact on real economic activity.

With these risks in mind we will manage our business to avoid the areas of excess and yet take calculated risks with areas of opportunity. Let's see what the next twelve months hold.

**Kerr Neilson**  
MANAGING DIRECTOR

The  
value of  
neglect



In the past I have castigated analysts for not paying more attention to value in their recommendations. Rather than trying to change their behaviour, a task beyond Hercules, I wondered if analyst neglect could be a useful indicator. For value investors, the answer is a resounding yes. Neglect (low analyst coverage) dramatically improves returns. For growth investors, it is a very different story.

by James Montier

**M**any, many moons ago I was giving a talk to a group of graduates at a client briefing. My function was to introduce them to the basic tenets of behavioural decision-making. During the course of our discussion, one of the poor graduates was bemoaning the fact that he had been assigned to the cement sector, he wanted to be involved in the hot and sexy TMT sector (yes, it was around 2000).

I tried to offer comfort to the distraught chap. I argued that his training and opportunity would be much greater in a 'dull' sector than in the darling of the day. Somehow I don't think my words of support did much to improve the poor lad's mood. However, it taught me something useful about analysts. They like to cover the stocks that are popular.

This is something we have noted before. To illustrate this we have examined the characteristics of analysts' recommendations. Consensus recommendations can be translated into numeric terms as per the table below. We can then group stocks into deciles based around the average analyst view. The characteristics of stocks in each basket can then be examined.

#### RECOMMENDATIONS AND NUMERICS

Recommendation	Numeric value
Buy	5
Add	4
Hold	3
Reduce	2
Sell	1

Source: Dresdner Kleinwort Macro research

The table below shows the results of such an analysis for the S&P500. Several things stand out from the table. Firstly, the optimistic bias of analysts shows up with the median rating on a stock being 3.9 (i.e. only just below an Add). Only in the bottom decile do we find stocks with an average recommendation of less than a Hold (i.e. below 3).

#### S&P500 CONSENSUS RECOMMENDATIONS AND CHARACTERISTICS (MEDIANS)

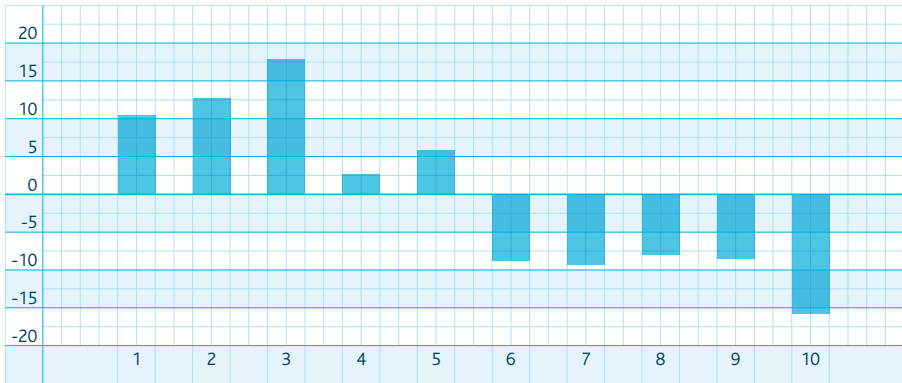
Recommendation	PE	PB	DY	PS	PCF	LTG
4.6	20.2	4.5	1.1	2.1	13.7	12.6
4.4	21.3	3.6	0.8	2.4	14.9	14.2
4.2	17.4	3.2	1.0	2.0	13.7	12.9
4.0	20.1	3.5	1.5	1.7	14.1	12.4
3.9	18.9	3.0	1.0	2.2	13.1	12.6
3.7	19.3	3.4	1.2	1.8	13.2	11.8
3.6	19.1	2.8	1.5	1.6	12.9	10.5
3.4	20.4	2.7	1.3	1.5	13.3	10.7
3.1	19.8	2.7	1.9	1.8	12.2	10.5
2.7	16.6	2.2	1.3	1.4	10.3	9.7

Source: Dresdner Kleinwort Macro research

As the table above makes abundantly clear analysts generally prefer expensive stocks (on pretty much all measures) with high long term growth forecasts. As I have often pointed out, investors tend to get suckered into growth stories. However using analysts as a guide to future growth is a mistake.

The chart on page 14 shows the 3 year past returns by recommendation decile. The stocks that analysts tend to have the highest recommendations on (i.e. the top three deciles) all have long term past returns that are significantly higher than average (on average some 14 percentage points better than the average stock). Conversely, the stocks in the bottom decile show an underperformance of nearly 16% over the past three years. So analysts appear to be chasing past returns.

**PAST 3 YEAR RETURNS BY RECOMMENDATION DECILE (RELATIVE PERFORMANCE, %)**



Source: Dresdner Kleinwort Macro research

It may well be perfectly ‘rational’ for analysts to choose to cover stocks that have done well. After all their job is to talk to fund managers, and it is far more pleasant to talk about stocks that have done well, rather than go in with a list of dogs. It is also possible that analysts suffer from another form of self-serving bias; that is, good past performing stocks may well be the ones likely to carry out investment banking business!<sup>1</sup>

Whilst it may be ‘rational’ from the analyst’s point of view, it isn’t sound investment advice. Since at least 1985 when Thaler and DeBondt published their seminal study<sup>2</sup> we have known that long-term winners are likely to become losers, and vice versa.

All of this got me thinking, what is the value of neglect? If analysts are all chasing past long-term returns, would we be better off if we concentrated on the stocks that they don’t follow? To explore this possibility I turned, as ever, to Rui Antunes of our quant team.

To measure the potential value of neglect, we took the developed markets since 1991, and then ranked all the stocks by the number of analysts that covered them, quintiles were formed on this basis. The chart opposite shows the average number of analysts

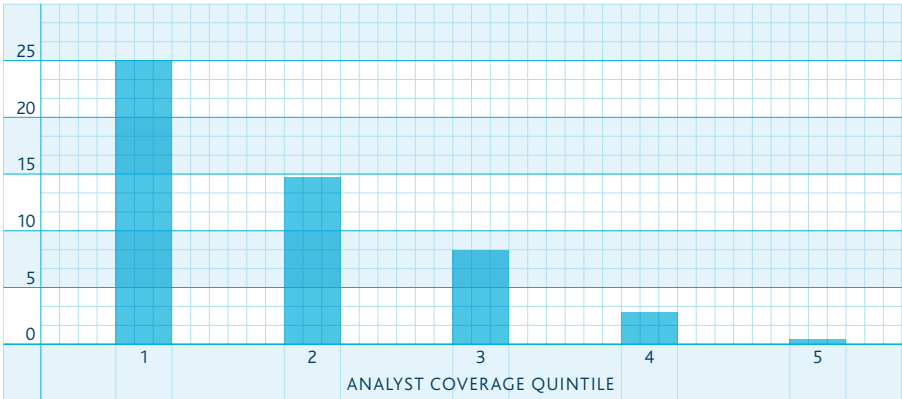
1 See Doukas, Kim and Pantzalis (2006) *Do analysts influence corporate financing and investment?* [www.ssrn.com](http://www.ssrn.com) for evidence that this is indeed the case

2 Thaler and DeBondt (1985) *Does the stock market overreact?* *Journal of Finance*, Vol 40



per stock across the quintiles. Those stocks in the top quintile had an average of 25 analysts covering them, those in the bottom quintile had 0.4 analysts covering them on average.

**AVERAGE NUMBER OF ANALYSTS PER STOCK (1991-2006)**



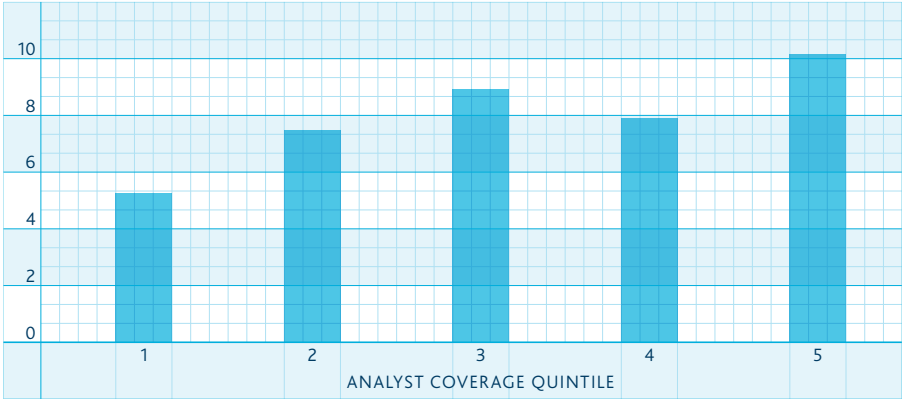
Source: Dresdner Kleinwort Macro research

Having formed these quintiles, we then took each quintile and ranked it on the basis of book to price. We called the top 25% of each coverage quintile ‘value’ and the bottom 25% ‘growth’. The returns were then monitored over the next 12 months. The results are shown in the chart on page 16. It maps the value premium (that is performance of value minus growth) within each of the analyst coverage quintiles. Overall, global value outperforms growth by around 8% per annum.<sup>3</sup>

However, this average masks considerable differences across the degree of neglect. Those stocks with the highest degree of coverage show a value premium of 5% per annum. Those stocks with the lowest degree of coverage show a value premium that is double that of the stocks with the highest coverage, 10% per annum. Neglect is seriously valuable.

3 This is consistent with the scale of the global value premium found by John Griffin (2002) *Are the Fama and French Factors Global or Country Specific?* Review of Financial Studies, Vol 15

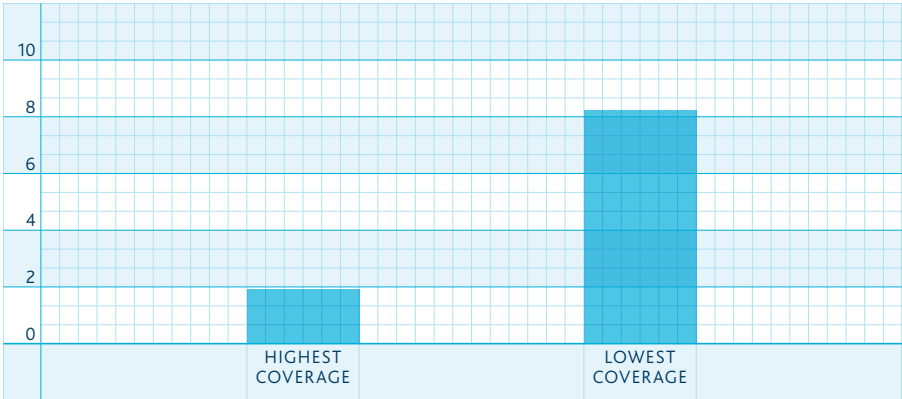
**VALUE PREMIUM FOR GLOBAL MARKETS  
BY ANALYST COVERAGE QUINTILE (1991-2006) %**



Source: Dresdner Kleinwort Macro research

The results we obtained for the US were even more pronounced. In the sample the average value premium was 4.6% per annum. However, the quintile with the highest analyst coverage (28 analysts per stock) recorded a value premium of 2% per annum. The quintile with the lowest coverage (0.9 analysts per stock) generated a value premium of nearly 8% per annum!

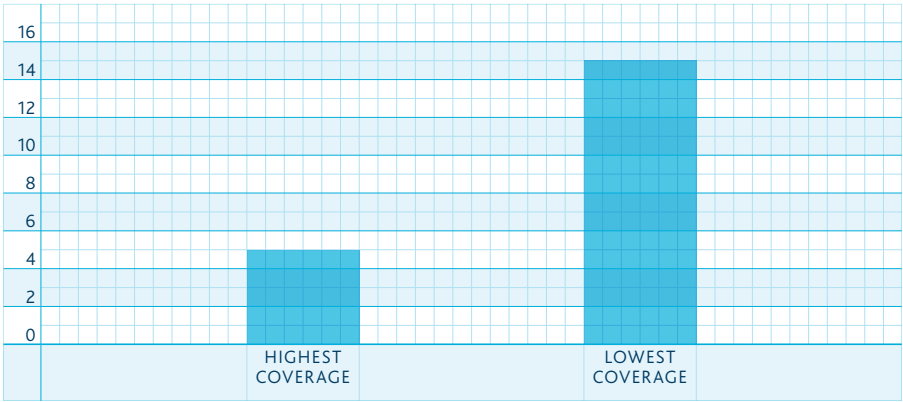
**VALUE PREMIUM FOR THE US MARKET  
FOR MOST AND LEAST COVERED STOCKS (1991-2006) %**



Source: Dresdner Kleinwort Macro research

Just in case you are wondering if this is merely a size effect, the answer is no. I ran a quick test using size and market adjusted returns for our US data. The results show that the highest coverage quintile spread between value and growth had a 5% risk adjusted return, whilst the lowest coverage quintile spread was 15%. So the value of neglect is more than just a size effect.<sup>4</sup>

**VALUE PREMIUM FOR THE US MARKET  
FOR MOST AND LEAST COVERED STOCKS – RISK ADJUSTED %**



Source: Dresdner Kleinwort Macro research

Not only does a low coverage strategy have higher returns than normal value strategy but it also has lower volatility. The general value strategy has a standard deviation of 15%, the low coverage version has a standard deviation of just under 12%. Lower risk and higher return, can't be bad!

<sup>4</sup> Regular readers will know I am sceptical of size as a factor to explain performance.

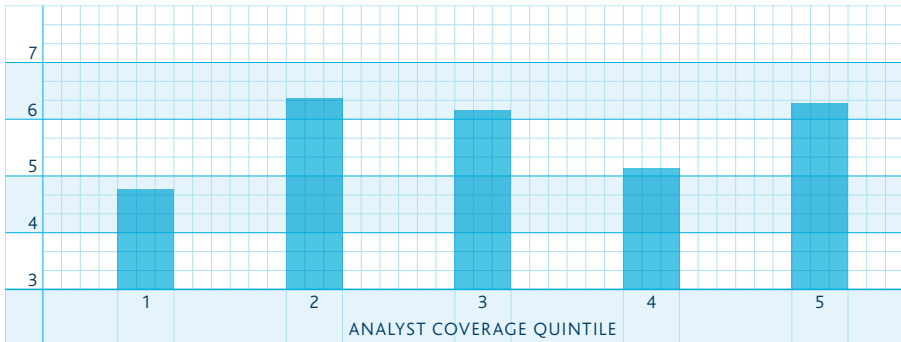
## The long-only view – value investors

So far we have explored the value of neglect from a long-short perspective. That is to say, we have discussed the value premium (value minus growth). But what does this analysis have to say from the perspective of the long-only investor?

Let's start with the value perspective. The chart below shows the outperformance of value quartile within the coverage quintiles (if that makes any sense). The average return of our overall universe was 11.7% per annum. Value stocks in general outperformed by nearly 6% per annum.

However, the 'value' stocks with the highest coverage showed 4.8% per annum. outperformance over our sample period. The 'value' stocks with the lowest level of analyst coverage generated 6.3% average outperformance. The important message from the chart below is that value investors can do better by looking for stocks that have few analysts covering them. The value of neglect for a value orientated investor is around 1.5% per annum extra outperformance.

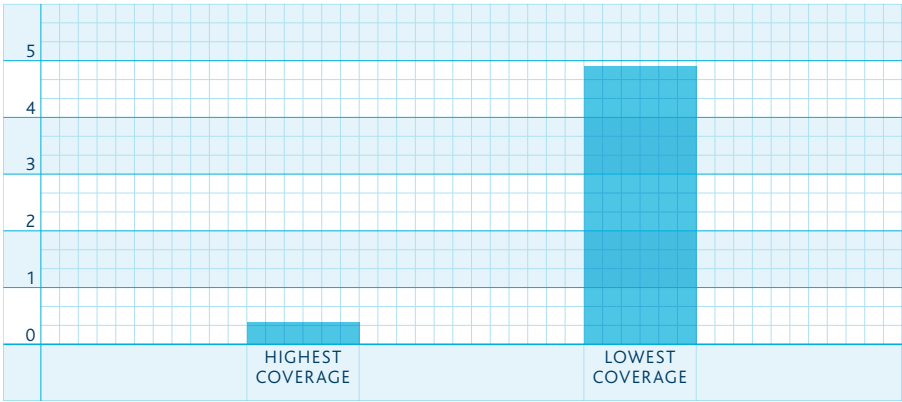
### PERFORMANCE OF VALUE QUARTILES WITHIN THE COVERAGE QUINTILES (RELATIVE TO MARKET, %)



Source: Dresdner Kleinwort Macro research

In the US the value of neglect to the long only investor is even greater. The average value stock outperforms the universe by just over 2.5% per annum. However, those stocks with the highest analyst coverage outperform by a mere 0.4% per annum. In contrast those with the lowest level of coverage outperform by an impressive 5% per annum!

**PERFORMANCE OF US VALUE QUARTILES  
WITHIN THE COVERAGE QUINTILES (RELATIVE TO MARKET, %)**

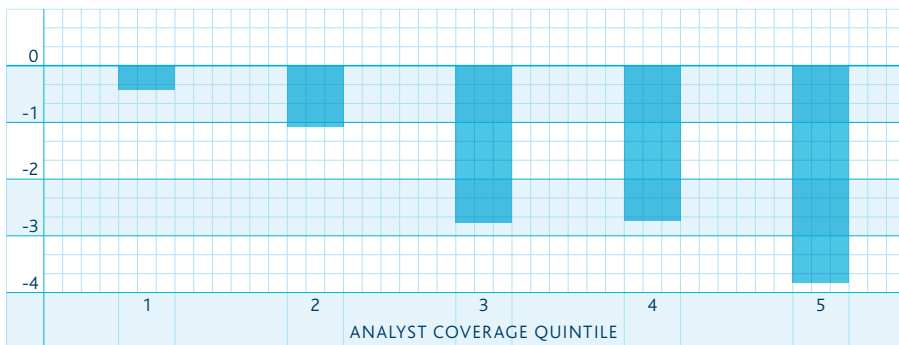


Source: Dresdner Kleinwort Macro research

**The long-only view – growth investors**

The picture for growth investors is very different. The average growth stock underperforms the universe by 2.2% per annum. However, unlike value investors who are best off seeking stocks which are generally neglected, growth investors would be best advised to seek out those firms with the highest analyst coverage. Such stocks underperform the universe by 0.5% per annum. In contrast, those growth stocks with very low analyst coverage tend to underperform the universe by nearly 4% per annum! So growth investors are considerably better off looking at stocks which are well covered by the street.

**PERFORMANCE OF GROWTH QUARTILES  
WITHIN THE COVERAGE QUINTILES (RELATIVE TO MARKET, %)**



Source: Dresdner Kleinwort Macro research

These findings also hold for the US data. The average growth stock underperforms the universe by around 2%. The growth stocks with the most coverage only underperform by 1% per annum, whilst those with the least coverage underperform by 3% per annum.

## Conclusions

Neglect is potentially an important method of enhancing value returns. This is true for both value orientated long-short and long-only investors. The one group of investors who may need to steer well clear of neglect are growth investors. They appear better off staying in the arena of well covered stocks.

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# 2007

Financial Statements Platinum Asset Management Limited

# Shareholder Information

## SUBSTANTIAL SHAREHOLDERS

The following parties have notified the Company that they have a substantial relevant interest in the ordinary shares of Platinum Asset Management Limited as at 17 August 2007:

	Number of Shares	%
J Neilson	323,074,841	57.59
J Clifford, Moya Pty Limited	32,831,449	5.85

## DISTRIBUTION OF SECURITIES

	Class of equity security Ordinary
(i) Distribution schedule of holdings	
1 – 1000	6,836
1,001 – 5,000	19,068
5,001 – 10,000	3,043
10,001 – 100,000	1,584
100,001 and over	61
Total number of holders	30,592
(ii) Number of holders of less than a marketable parcel	55
(iii) Percentage held by the 20 largest holders	78.52%



## TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest holders of each class of listed equity securities as at 17 August 2007 are listed below:

	Number of Shares	%
Platinum Investment Management Limited	253,542,563	45.19
J Neilson	136,250,000	24.29
Charmfair Pty Limited	10,000,000	1.78
JP Morgan Nominees Australia Limited	8,044,782	1.43
HSBC Custody Nominees (Australia) Limited	6,715,672	1.20
National Nominees Limited	6,631,592	1.18
J Clifford	5,000,000	0.89
Cogent Nominees Pty Limited	2,608,486	0.46
Australia Reward Investment Alliance	2,509,066	0.45
ANZ Nominees Limited	2,145,887	0.38
UBS Nominees Pty Limited	1,184,479	0.21
Citicorp Nominees Pty Limited	1,056,754	0.19
Citicorp Nominees Pty Ltd	746,300	0.13
RBC Dexia Investor Services Australia Nominees Pty Limited	723,794	0.13
RBC Dexia Investor Services Australia Nominees Pty Limited	665,485	0.12
Veddereddie Pty Limited	650,000	0.12
Questor Financial Services Limited	584,531	0.10
UBS Wealth Management Australia Nominees Pty Limited	563,178	0.10
S Gilchrist	479,651	0.09
The Australian National University	450,000	0.08

## **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.

## **WORKING CAPITAL**

In accordance with ASX Listing Rule 4.10.19, Platinum Asset Management Limited has used its working capital in a way consistent with its business objective.

## **PLATINUM'S COMMITMENT TO CARBON NEUTRALITY**

Platinum Asset Management Limited is committed to reducing the harmful impact it may make on the environment. For example, the use of energy by the Investment Management company, is closely monitored, as is the general creation of waste. To the extent, that staff travel in planes or use energy at work, carbon credits are purchased by the Investment Manager, as a carbon emission offset.

## **DISTRIBUTION OF ANNUAL REPORT TO SHAREHOLDERS**

The Law has been amended to allow for a new "opt in" regime in which Shareholders will only receive a printed "hard copy" version of the Annual Report if they request one.

The Directors have decided to mail out the 2007 Annual Report to all Shareholders, unless they have opted out. This position will be kept under review. Please communicate your views to the Company Secretary at [invest@platinum.com.au](mailto:invest@platinum.com.au).

## **QUESTIONS FOR THE AGM**

If you would like to submit a question prior to the AGM for it to be addressed at the AGM, please e-mail your question to [invest@platinum.com.au](mailto:invest@platinum.com.au).

## **FINANCIAL CALENDAR**

Annual General Meeting

2 November 2007

# Directors' Report

Your Directors present their report on the consolidated entity consisting of Platinum Asset Management Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2007.

## DIRECTORS

The following persons were Directors of the Company at the end of the financial year and up to the date of this report:

Michael Cole	Chairman and Non-Executive Director (appointed 10 April 2007)
Bruce Coleman	Non-Executive Director (appointed 10 April 2007)
Margaret Towers	Non-Executive Director (appointed 10 April 2007)
Kerr Neilson	Managing Director (Chairman until 10 April 2007)
Malcolm Halstead	Finance Director and Company Secretary (appointed 20 February 2007)

Judith Neilson was a Director of the Company from the beginning of the financial year until 3 April 2007.

## PRINCIPAL ACTIVITY

The Company is the non-operating holding company of Platinum Investment Management Limited. Platinum Investment Management Limited, trading as Platinum Asset Management, operates a funds management business.

## CHANGES IN THE STATE OF AFFAIRS

During the year, the Company changed its name to Platinum Asset Management Limited. The Company became a Public Company on 10 April 2007 and listed on the Australian Securities Exchange (ASX) on 23 May 2007.

In preparation for listing, a restructure was undertaken, in which the Company sold or transferred all of its assets, other than its beneficial interest in shares in Platinum Investment Management Limited and sufficient cash to meet its year to date income tax liability. The Company then split its issued share capital of 100 shares into 435,181,783 ordinary shares. It then took its beneficial interests of Platinum Investment Management Limited to 100%, through scrip for scrip takeover offers, in consideration for the issue of 125,818,217 ordinary shares in the Company.

# Directors' Report

continued

As a result of the share split and takeover offers, the Company had 561,000,000 ordinary shares on issue and beneficially held 100% of the issued share capital of Platinum Investment Management Limited. Subsequently, 140,250,000 shares on issue representing 25% of the issued shares of the Company were sold to the public by the then existing Shareholders.

Any other changes in the state of affairs of the consolidated entity are disclosed in this report or the financial statements.

## TRADING RESULTS

The profit after tax of the consolidated entity for the year was \$186,173,000 (2006: \$211,318,000) after income tax expense of \$89,718,000 (2006: \$90,386,000).

These figures include revenue and expenses derived by the Company when it was private in nature. Once the impact of these "pre-acquisition" profits are eliminated, the profit after tax of the Platinum funds management business was \$171,472,000 (2006: \$187,566,000) after income tax expense of \$77,006,000 (2006: \$80,397,000). Please refer to page 83 of the Annual Report for the pro-forma Income Statement of the Platinum funds management business.

## DIVIDENDS

As part of the restructure, prior to listing, the Company paid a dividend of \$579,513,180, representing the Company's retained profits prior to the re-organisation.

## REVIEW OF OPERATIONS

The consolidated profit before tax was \$275,891,000 (2006: \$301,704,000).

Once the impact of "pre-acquisition" profits are eliminated, the consolidated profit before tax was \$248,478,000 (2006: \$267,963,000). A key factor in this reduction of operating profit was the \$21,950,000 in costs associated with the offer of shares to the public.

## 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 in the financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company continues to pursue its business objectives, by continuing to be the holding company of the Platinum Asset Management funds management business. The methods of operating the consolidated entity are not expected to change in the foreseeable future.

## ROUNDING OF AMOUNTS

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

## AUDITOR

PricewaterhouseCoopers has been appointed Auditor in accordance with section 327 of the *Corporations Act 2001*.

## NON-AUDIT SERVICES

Details of amounts paid or payable to the Auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out on page 28.

The Directors, in accordance with advice received from the Audit Committee, are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied, considering the nature and quantum of the non-audit services, that the provision of non-audit services by the Auditor, as set out on page 28, did not compromise the auditor independence requirements of the *Corporations Act 2001*.

# Directors' Report

continued

	2007 \$	2006 \$
Audit services – statutory	<b>258,916</b>	217,005
Taxation services – compliance	<b>342,805</b>	320,432
Taxation services – advice	<b>18,667</b>	–
Advisory services – IPO, restructuring and related one-off costs*	<b>935,260</b>	–
Advisory services – foreign tax agent	<b>16,857</b>	11,768
Total remuneration	<b>1,572,505</b>	549,205

\* The advisory services provided by PricewaterhouseCoopers related to taxation, advisory and accounting work associated with the offer of shares to the public. These costs are non-recurring in nature.

## AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditors' Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 35.

## INFORMATION ON DIRECTORS

**Michael Cole** BEcon, MEcon, FFin

Independent Non-Executive Director, Chair and member of the Audit and Remuneration Committees since 10 April 2007. (Age 59)

Mr Cole has over 30 years experience in the investment banking and the funds management industry. He was an Executive Director/Executive Vice President at Bankers Trust Australia for over 10 years. Mr Cole is currently Chairman of SAS Trustee Corporation (State Super) and Ironbark Capital Limited. He is a Director of NSW Treasury Corp, IMB Limited, and Winchester Property Services Limited.

**Bruce Coleman** BSc, BCom, CA, FFin

Independent Non-Executive Director, Chair of the Remuneration Committee and member of the Audit Committee since 10 April 2007. (Age 57)

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. He was a Director of MLC Limited from 2001 to 2004. Mr Coleman is a Director of Platinum Capital Limited.

### **Margaret Towers** CA

Independent Non-Executive Director and Chair of Audit Committee and member of the Remuneration Committee since 10 April 2007. (Age 49)

Ms Towers is a Chartered Accountant with over 25 years experience in the financial markets. She was formerly an Executive Vice President at Bankers Trust Australia. Ms Towers currently acts as an independent consultant to a number of Australian Financial Institutions. She was previously with Price Waterhouse.

### **Kerr Neilson** BCom ASIP

Managing Director since 12 July 1993. (Age 57)

Mr Neilson was appointed as Managing Director upon incorporation. He is the Managing Director of Platinum Investment Management Limited and Platinum Capital Limited. Prior to Platinum, Mr Neilson was an Executive Vice President at Bankers Trust Australia.

Previously he worked in both the UK and South Africa as an investment analyst and fund manager.

### **Malcolm Halstead** CA

Finance Director and Company Secretary since 20 February 2007. (Age 49)

Mr Halstead has been a Director of Platinum Investment Management Limited and Platinum Capital Limited since their formation in 1994 and White Rabbit Gallery Limited (appointed 27 February 2007). Prior to Platinum, Mr Halstead was a Vice President at Bankers Trust Australia. Previously he was with Price Waterhouse, Sydney and Jolliffe Cork, London.

# Directors' Report

continued

## 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 2007.

Name	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Held while a Director	Attended	Held while a member	Attended	Held while a member	Attended
M Cole (appointed 10 April 2007)	2	2	1	1	1	1
B Coleman (appointed 10 April 2007)	2	2	1	1	1	1
M Towers (appointed 10 April 2007)	2	2	1	1	1	1
K Neilson (Director for the full year)	8	8	–	–	–	–
J Neilson (until 3 April 2007)	4	2	–	–	–	–
M Halstead (appointed 20 February 2007)	7	7	–	–	–	–

## 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 or consolidated entity.

### 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

### Non-Executive Directors

All remuneration of the Non-Executive Directors is paid by Platinum Investment Management Limited. The current annual remuneration payable to the Non-Executive Directors is:

Name	Short-term Benefits Salary \$	Post-employment Benefits Superannuation \$	Total \$
M Cole	200,000	12,686	212,686
B Coleman	175,000	12,686	187,686
M Towers	175,000	12,686	187,686
<b>Total remuneration</b>	550,000	38,058	588,058

The Non-Executive Directors were appointed on 10 April 2007. Their remuneration from the date of appointment to 30 June 2007 was:

Name	Short-term Benefits Salary \$	Post-employment Benefits Superannuation \$	Total \$
M Cole	–	44,392	44,392
B Coleman	36,346	2,761	39,107
M Towers	36,346	2,761	39,107
<b>Total remuneration</b>	72,692	49,914	122,606

### Executive Directors

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

Other than those disclosed on page 32, there are no employees that hold an executive position within the Company.

# Directors' Report

continued

## Key Management Personnel Compensation

The Executive Directors (K Neilson and M Halstead) are employed by Platinum Investment Management Limited and receive their remuneration from Platinum Investment Management Limited.

AASB 124 requires compensation provided by the Company or on behalf of the Company to be disclosed. Platinum Investment Management Limited is a related entity of the Executive Directors, because the Executive Directors are also Directors of Platinum Investment Management Limited. Platinum Investment Management Limited is a subsidiary of Platinum Asset Management Limited.

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 a salary of \$207,575 (2006: \$250,000) and superannuation of \$105,111 (2006: \$12,140) and M Halstead a salary of \$250,000 (2006: \$200,000), and superannuation of \$12,686 (2006: \$12,140).

As disclosed in the prospectus dated 10 April 2007, K Neilson and M Halstead's salaries were \$400,000 and \$350,000 respectively – they elected for the start date for these salaries to be 1 July 2007.

In addition, K Neilson was paid remuneration of \$1,000 for the period 1 July 2006 to 10 April 2007 (2006: \$500), and superannuation of \$100,000 (2006: \$100,587) for the period before the Company became a Public Company.

For the period 1 July 2006 to her date of resignation on 3 April 2007, J Neilson was paid remuneration of \$1,000 (2006: \$500) and superannuation of \$100,000 (2006: \$100,587).

For the full financial year, A Clifford was a Director of the operating subsidiary, Platinum Investment Management Limited. A Clifford was paid a salary of \$220,302 (2006: \$200,000), superannuation of \$42,384 (2006: \$12,140) and non-monetary benefits of \$3,415 (2006: \$3,470).

The Executive Directors do not receive short-term or long-term incentives, other than salary and superannuation. This is because they have a relevant interest in shares of the Company.

## Interests of Non-Executive and Executive Directors in Shares

The relevant interest in ordinary shares of the Company that each Director has at balance date is as follows:

Name	Balance 1/7/06	Balance after stock split 3/4/07	Acquisitions	Disposals	Balance 30/6/07
M Cole	–	–	200,000	–	200,000
B Coleman	–	–	200,000	–	200,000
M Towers	–	–	20,000	–	20,000
K Neilson	100	326,074,741	–	4,000,000	322,074,841
J Neilson (resigned on 3 April 2007)	100	326,074,741	–	4,000,000	322,074,841
M Halstead	–	–	22,834,931	–	22,834,931

## Share-Based Compensation

No Options or Performance Rights were granted to any Non-Executive or Executive Directors.

## 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.

### M Cole, Chairman and Non-Executive Director

- Appointed on 10 April 2007.
- No term of agreement has been set unless the Director is not re-elected by Shareholders of the Company.
- Base annual salary, inclusive of superannuation is \$212,686.

### B Coleman, Non-Executive Director

- Appointed on 10 April 2007.
- No term of agreement has been set unless the Director is not re-elected by Shareholders of the Company.
- Base annual salary, inclusive of superannuation is \$187,686.

#### M Towers, Non-Executive Director

- Appointed on 10 April 2007.
- No term of agreement has been set unless the Director is not re-elected by Shareholders of the Company.
- Base annual salary, inclusive of superannuation is \$187,686.

#### Directors' Interests in Contracts

The Directors receive remuneration and dividends which are ultimately derived from the net income arising from Platinum Investment Management Limited's investment management contracts.

Prior to the re-organisation and listing of the Company, a company controlled by B Coleman, one of the now Non-Executive Directors, was engaged by Platinum Investment Management Limited to provide a one-off management consulting service. Mr Coleman received a consultancy fee of \$1m for services rendered in December 2006.

#### DIRECTORS' INSURANCE

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

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



**Michael Cole**  
CHAIRMAN



**Kerr Neilson**  
DIRECTOR

Sydney, 21 August 2007

# Auditors' Independence Declaration

As lead Auditor for the audit of Platinum Asset Management Limited and its controlled entities for the year ended 30 June 2007, 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 Asset Management Limited and its controlled entities during the period.



**D Prothero**

PARTNER  
PRICEWATERHOUSECOOPERS

Sydney, 21 August 2007

# Corporate Governance Statement

The Company's Board of Directors is committed to achieving and demonstrating high standards of corporate governance. To this end, the Board looks to the *Corporate Governance Principles and Recommendations* ("Governance Principles") set by the Corporate Governance Council of the Australian Securities Exchange ("ASX").

A description of the Company's main corporate governance practices is set out below. These practices were formalised on 10 April 2007 as part of converting the Company to a public entity and its subsequent listing on the ASX. The Company and its controlled entities together are referred to as "the Group" in this Statement.

Company policies, charters and codes referred to in this Statement are provided in the "Shareholder Corporate Governance" section of the Company's website at [www.platinum.com.au](http://www.platinum.com.au) ("Company's website").

## 1. THE BOARD OF DIRECTORS

K Neilson	(Chair until 10 April 2007)
J Neilson	(until 3 April 2007)
M Halstead	(from 20 February 2007)
M Cole	(Chair from 10 April 2007)
B Coleman	(from 10 April 2007)
M Towers	(from 10 April 2007)

The Board was restructured on 10 April 2007 to comply with the Governance Principles and in anticipation of listing on the ASX. The Board operates in accordance with its Charter – a copy is available from the Company's website. The Charter details the functions and responsibilities of the Board.

### 1.1 Role of the Board

The role of the Board is to oversee the activities of Executive Directors, ensuring the Company operates in compliance with its regulatory environment and good corporate governance practices are adopted.

### 1.2 Responsibilities of the Board

The principal responsibilities of the Board include:

- monitoring the performance and financial position of the Company;
- assessing both the performance of management and itself;

- overseeing the integrity of financial accounts and reporting;
- reviewing the operations and findings of the Company's risk management, compliance and control frameworks; and
- monitoring the Company's compliance with regulatory, legal and ethical standards.

### 1.3 Composition of the Board

The Board, from 10 April 2007, comprises two Executive Directors (K Neilson and M Halstead) and three Non-Executive Directors (M Cole, B Coleman and M Towers). The qualifications and experience of the Directors are provided in the Directors' Report on pages 28 to 29. The Board has determined (according to the criteria summarised below) that M Cole (the "Chair" of the Board), B Coleman and M Towers are "independent" Non-Executive Directors.

#### Director Independence

In consideration of the Governance Principles, the Board defines an "independent director" to be a person who:

- is not a substantial Shareholder of the Company or an officer of, or otherwise associated directly with, a substantial Shareholder of the Company;
- has not, within the last three years, been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- has not, within the last three years, been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer;
- has no material contractual relationship with the Company or another group member, other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and

# Corporate Governance Statement

continued

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

The Board determines "materiality" on both a quantitative and qualitative basis. An item that affects the Company's net assets by approximately 5%, or affects the Company's distributable income in a forecast period by more than approximately 5% of the Company's net profit before tax is likely to be material. However, these quantitative measures are supplemented with a qualitative examination, as the facts and the context in which the item arises will influence the determination of materiality.

## 1.4 Chair of the Board and Managing Director (CEO)

The roles of Chair and Managing Director are separate roles to be undertaken by different people.

The Chair is responsible for leading the Board, ensuring that the Board's activities are organised and efficiently conducted, and for ensuring Directors are properly briefed for meetings.

The Managing Director is responsible for the management and operation of the Company. Those powers not specifically reserved for the Board under its Charter and which are required for the management and operation of the Company, are conferred on the Managing Director.

## 1.5 Recommendation 2.4 – Establishment of a Nomination Committee

Recommendation 2.4 of the Governance Principles provides that "the board should establish a nomination committee". Such a committee is mandated with reviewing, assessing and recommending changes to the company's process for evaluating, selecting and appointing directors.

Given the size of the Company and the Board (as well as its 10 April 2007 restructure), the Board considers a nomination committee is not warranted. The entire Board undertakes the role.

The Board considers the following when evaluating, selecting and appointing Directors:

- the particular skill set the Board is seeking to accommodate by the proposed appointment;



- 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 experience and knowledge of the Group and Directors with an external or fresh perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

### **1.6 Director Term of Office**

The Company’s Constitution provides:

- an election of Directors must be held at each AGM and at least one Director (but not the Managing Director) must retire from office; and
- each Director (but not the Managing Director) must retire from office at the third AGM following their last election.

Where eligible, a Director may stand for re-election.

### **1.7 Independent Professional Advice**

The Board of Directors’ Charter provides that the Directors may (in connection with their duties and responsibilities) seek independent 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.

# Corporate Governance Statement

continued

## 1.8 Performance Assessment

A performance evaluation of the Board and its members was not undertaken in the 2006/2007 reporting year. The current Board was established on 10 April 2007 as a result of the Company converting to a public entity and listing on the ASX.

In future, the Board of Directors' Charter requires:

- the Board to review its performance (at least annually) against previously agreed measurable and qualitative indicators;
- the Chair of the Board to review each Director's performance;
- a nominated Director to review the Chair's performance; and
- the Board to undertake a formal annual review of its overall effectiveness, including its Committees.

As a result of these assessments, the Board may implement changes to improve the effectiveness of the Board and corporate governance structures.

## 2. BOARD COMMITTEES

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Audit and Remuneration Committees. Each is comprised entirely of Non-Executive Directors. The committee structure and membership is reviewed on an annual basis.

Each Committee has its own written Charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. All matters determined by Committees are submitted to the full Board as recommendations for Board decisions. Minutes of a Committee meeting are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the Committees to the Board are addressed in the Charter of the individual Committees.

### 2.1 Audit Committee

An Audit Committee was established by the Board on 10 April 2007. The Committee consists of three Non-Executive and "independent" Directors: M Towers (Chair of the Committee), M Cole, and B Coleman.

Each member of the Committee has the appropriate financial expertise and industry understanding to perform their role. M Towers and B Coleman are Chartered Accountants,

and M Cole is a finance professional. A summary of Director qualifications and attendance at Audit Committee meetings is provided in the Directors' Report on pages 28 to 30.

The Audit Committee operates according to its Charter, which is available on the Company's website.

The principal role of the Committee is to assist the Board in fulfilling its responsibilities relating to the financial reporting and accounting practices of the Company. Its key responsibilities are to:

- review the financial information presented by management;
- consider the adequacy and effectiveness of the Company's administrative, operating and accounting controls as a means of ensuring the Company's affairs are being conducted by management in compliance with legal, regulatory and policy requirements;
- review any significant compliance issues affecting the Company and monitor actions taken by management;
- review recommendations from the Finance Director and/or external Auditor on key financial and accounting principles to be adopted by the Company; and
- recommend to the Board the appointment of external auditors and monitor the conduct of audits.

The Audit Committee has authority (within the scope of its responsibilities) to seek any information it requires from any Group employee or external party. Members may also meet with Auditors (internal and/or external) without management present, and consult independent experts where the Committee considers it necessary to carry out its duties.

## **2.2 Remuneration Committee**

A Remuneration Committee was established by the Board on 10 April 2007. The Committee consists of three Non-Executive and "independent" Directors: B Coleman (Chair of the Committee), M Cole, and M Towers.

Attendance at Remuneration Committee meetings is provided in the Directors' Report on page 30.

The Remuneration Committee operates according to its Charter, which is available on the Company's website.

# Corporate Governance Statement

continued

The Committee advises the Board on remuneration and incentive policies and practices generally for the Company and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors.

Members of the Remuneration Committee have access to the Company's officers and advisers, and may consult independent experts where the Committee considers it necessary to carry out its duties.

## Remuneration Policies

Remuneration for the Executive Directors consists of salary, bonuses or other elements. Any equity based remuneration for Executive Directors will be subject to Shareholder approval where required by ASX Listing Rules.

Remuneration for Non-Executive Directors must not exceed in aggregate a maximum sum which Shareholders fix in general meeting. The current maximum aggregate amount fixed by Shareholders is \$2 million per annum (including superannuation contributions). This amount was fixed by Shareholders at the 10 April 2007 general meeting.

Executive and Non-Executive Directors may also be reimbursed for their expenses properly incurred as Directors.

Further information is provided in the Remuneration Report.

## Remuneration Paid

Remuneration paid to the Executive and Non-Executive Directors for the 2006/2007 reporting year is set out on pages 31 to 32 of the Directors' Report.

## 3. EXTERNAL AUDITORS

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external 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.

On 22 February 2007, PricewaterhouseCoopers was appointed as external Auditor to the Company. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years. An analysis of fees paid to the external Auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report.

It is the policy of the external Auditor to provide an annual declaration of its independence to the Audit Committee.

The external Auditor will attend the Company's AGM and will be available to answer Shareholder questions about the conduct of the audit and the preparation and content of the Audit 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.

A copy of the Directors' Code of Conduct is available on the Company's website.

### **4.2 Trading in Company Securities**

All Directors and staff of the Group must comply with the PTM Share Trading Policy. In summary, the policy prohibits trading in Company Securities:

- when aware of unpublished price-sensitive information;
- from the first day of the month until announcement of the Company's monthly funds under management figure to the ASX;
- from 31 December (each year) until announcement of the Company's half-yearly financial results to the ASX;
- from 30 June (each year) until announcement of the Company's annual financial results to the ASX; and
- during any other black-out period (as notified).

Directors and staff are prohibited from entering into transactions in associated products which operate to limit the economic risk of holding PTM shares over unvested entitlements.

A copy of this policy is available on the Company's website.

# Corporate Governance Statement

continued

## 4.3 Financial Reporting

In respect of the year ended 30 June 2007, 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 Group 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 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 PTM 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 co-ordinating 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.

A copy of the Continuous Disclosure Policy is available from the Company's website.

## 4.5 Shareholder Communication

The Board has adopted a Communications Plan, which describes the Board's policy for ensuring that 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 financial report, and monthly notices to the ASX. The Company Secretary oversees and co-ordinates the distribution of all information by the Company to the ASX, Shareholders, the media and the public. A copy of the Communication Plan is available on the Company's website.

## 4.6 Risk Management and Compliance

The Board, through the Audit Committee, is responsible for ensuring that:

- there are effective systems in place to identify, assess, monitor and manage the risks of the Company; and
- internal controls and arrangements are adequate for monitoring compliance with laws and regulations applicable to the Company.

The Group has implemented risk management and compliance frameworks based on AS/NZS 4360:2004 Risk Management Standard and AS 3806-2006 Compliance Programs. These frameworks (together with the Group'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 (applicable to the Company) and Group policies (including business rules of conduct) is communicated and demonstrated.

A summary of the Risk Management Policy is available from Company's website.

## 4.7 Business Rules of Conduct

Platinum's Business Rules of Conduct ("BROC") applies to all staff of the Group. A redacted copy is available on the Company's website. 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 BROC and Group policies.

# Income Statement

for the year ended 30 June 2007

	Notes	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
<b>Income</b>					
Management fees		251,008	200,119	–	–
Performance fees		37,623	80,551	–	–
Administration fees		11,068	8,666	–	–
Interest income		22,709	17,631	13,332	9,754
Net gains on equities and derivatives		12,281	20,331	11,324	18,592
Net gains/(losses) on foreign exchange contracts		(289)	972	–	–
Net (losses) on foreign currency bank accounts		(508)	–	–	–
Dividend income		524	707	253,553	97,685
Other investment		2,869	5,112	2,869	5,163
<b>Total income</b>		<b>337,285</b>	<b>334,089</b>	<b>281,078</b>	<b>131,194</b>
<b>Expenses</b>					
IPO, restructuring and related one-off costs		21,950	–	–	–
Staff		16,999	15,222	225	202
Custody and unit registry		10,436	8,432	–	–
Marketing		3,412	2,835	–	–
Research		1,454	999	59	65
Technology		1,047	1,037	1	–
Rent		942	773	–	–
Miscellaneous		750	482	314	82
Legal and compliance		662	402	–	–
Options and Performance Rights	9	657	–	–	–
Auditors' remuneration	18	637	549	–	–
Depreciation		562	698	–	1
Fixed assets scrapped		526	14	–	–



	Notes	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
<b>Expenses</b> continued					
Mail house		420	494	–	–
Other professional		280	110	22	23
Share registry		280	–	–	–
Periodic reporting		200	–	–	–
Other occupancy		180	278	2	26
Transaction costs		–	60	–	56
<b>Total expenses</b>		<b>61,394</b>	32,385	<b>623</b>	455
<b>Profit before income tax expense</b>		<b>275,891</b>	301,704	<b>280,455</b>	130,739
Income tax expense	2(a)	89,718	90,386	12,712	9,989
<b>Profit after income tax expense</b>		<b>186,173</b>	211,318	<b>267,743</b>	120,750
Profit attributable to:					
Equity holders of parent		152,943	165,596	267,743	120,750
Minority interest		33,230	45,722	–	–
<b>Basic earnings per share</b>					
(dollars per share)	10	0.27	1,655,960		
<b>Diluted earnings per share</b>					
(dollars per share)	10	0.27	1,655,960		

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

# Balance Sheet

as at 30 June 2007

	Notes	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
<b>Current assets</b>					
Cash and cash equivalents	13(a)	73,072	457,385	–	201,147
Trade receivables		24,072	22,169	19	900
Related party account		–	314	26,152	302
Interest receivable		207	71	–	–
Prepayments		842	656	–	23
Land and buildings	4(a)	–	1,589	–	1,589
<b>Total current assets</b>		<b>98,193</b>	<b>482,184</b>	<b>26,171</b>	<b>203,961</b>
<b>Non-current assets</b>					
Deferred tax assets	2(b)	4,340	587	–	–
Investments	20	–	5,662	631,144	7,058
Financial assets held at fair value through profit or loss	3	–	112,263	–	108,680
Fixed assets	4(b)	2,711	1,650	–	2
<b>Total non-current assets</b>		<b>7,051</b>	<b>120,162</b>	<b>631,144</b>	<b>115,740</b>
<b>Total assets</b>		<b>105,244</b>	<b>602,346</b>	<b>657,315</b>	<b>319,701</b>
<b>Current liabilities</b>					
Payables	5	9,818	3,870	1	3
Current tax payable		16,205	63,168	26,150	2,131
Provisions	6	1,396	1,365	–	–
<b>Total current liabilities</b>		<b>27,419</b>	<b>68,403</b>	<b>26,151</b>	<b>2,134</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	2(c)	–	4,497	–	4,381
<b>Total non-current liabilities</b>		<b>–</b>	<b>4,497</b>	<b>–</b>	<b>4,381</b>
<b>Total liabilities</b>		<b>27,419</b>	<b>72,900</b>	<b>26,151</b>	<b>6,515</b>
<b>Net assets</b>		<b>77,825</b>	<b>529,446</b>	<b>631,164</b>	<b>313,186</b>

	Notes	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
<b>Equity</b>					
Contributed equity	8(a)	629,091	–	629,091	–
Reserves	8(b)	(587,470)	–	657	–
		41,621	–	629,748	–
Retained profits	11	36,204	500,783	1,416	313,186
Minority interest		–	28,663	–	–
<b>Total equity</b>		<b>77,825</b>	529,446	<b>631,164</b>	313,186

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

# Statement of Changes in Equity

for the year ended 30 June 2007

	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
<b>Total equity at the beginning of the financial year</b>	<b>529,446</b>	312,469	<b>313,186</b>	179,267
Adjustment on adoption of AASB 132 and AASB 139 net of tax to retained profits	–	15,200	–	15,169
Restated total equity at the beginning of the financial year	<b>529,446</b>	327,669	<b>313,186</b>	194,436
Profit for the year	<b>186,173</b>	211,318	<b>267,743</b>	120,750
<b>Total recognised income and expense for the financial year</b>	<b>186,173</b>	211,318	<b>267,743</b>	120,750
Income and expenses attributable to:				
Equity holders of parent	<b>152,943</b>	165,596	<b>267,743</b>	120,750
Minority interest	<b>33,230</b>	45,722	–	–
	<b>186,173</b>	211,318	<b>267,743</b>	120,750
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transactions costs	<b>12,301</b>	16,954	<b>629,091</b>	–
Share-based payments reserve	<b>657</b>	–	<b>657</b>	–
Dividends paid	<b>(650,752)</b>	(26,495)	<b>(579,513)</b>	(2,000)
	<b>(637,794)</b>	(9,541)	<b>50,235</b>	(2,000)
<b>Total equity at the end of the financial year</b>	<b>77,825</b>	529,446	<b>631,164</b>	313,186

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

# Cash Flow Statement

for the year ended 30 June 2007

Notes	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
<b>Cash flow from operating activities</b>				
Interest received	22,573	16,789	13,332	9,754
Dividends received	524	703	253,553	97,685
Receipts from operating activities	297,797	282,840	298	–
Payments for operating activities	(53,837)	(31,520)	–	(1,328)
Income taxes paid	(144,950)	(37,709)	(8,669)	(4,173)
<b>Cash flow from operating activities</b>	13(b) <b>122,107</b>	231,103	<b>258,514</b>	101,938
<b>Cash flow from investing activities</b>				
Receipts from sale of investments	150,809	22,216	128,534	9,129
Payments for purchases of investments	(18,524)	(50,710)	–	(38,881)
Purchase of fixed assets	(2,153)	(547)	–	(1)
Proceeds from sale of fixed assets	1,592	–	1,592	–
<b>Cash flow from investing activities</b>	<b>131,724</b>	(29,041)	<b>130,126</b>	(29,753)
<b>Cash flow from financing activities</b>				
Dividends paid	(650,752)	(26,495)	(579,513)	(2,000)
Proceeds from the issue of shares	12,301	16,954	–	–
Payments (to)/from related parties	314	(2)	(10,274)	(2)
<b>Cash flow from financing activities</b>	<b>(638,137)</b>	(9,543)	<b>(589,787)</b>	(2,002)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(384,306)</b>	192,519	<b>(201,147)</b>	70,183
Cash and cash equivalents held at the beginning of the financial year	457,385	264,757	201,147	130,964
Effects of exchange rate changes on cash and cash equivalents	(7)	109	–	–
<b>Cash and cash equivalents held at the end of the financial year</b>	<b>73,072</b>	457,385	–	201,147

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

# Notes to the Financial Statements

30 June 2007

## 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 includes separate financial statements for Platinum Asset Management Limited as an individual entity and the consolidated entity consisting of Platinum Asset Management Limited and its subsidiaries.

### (a) Basis of Preparation

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

#### Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements, and notes thereto, comply with International Financial Reporting Standards (IFRS). The financial statements of the parent entity also comply with IFRSs except that the parent entity has elected to apply the relief granted to parent entities in respect of AASB 124: *Related Party Disclosures*.

#### Historical Cost Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of "financial assets held at fair value through profit or loss". The preparation of the financial statements in conformity with AIFRS requires the use of certain critical accounting estimates and judgments, of which other than what is included in the accounting policies below, there are none.

### (b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Platinum Asset Management Limited (the "Company" or "Parent Entity") as at 30 June 2007 and the results of all controlled entities for the year then ended. Platinum Asset Management Limited and its subsidiaries together are referred to in this financial report as "the consolidated entity" or "Group".

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of voting rights. The existence or effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Where control of an entity is obtained during the financial year, its results are included in the consolidated Balance Sheet from the date control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

The effects of all transactions between entities in the consolidated entity are eliminated in full. Accounting policies of various companies within the consolidated entity have been changed to ensure consistency with those policies adopted by the consolidated entity.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement and Balance Sheet.

The Group allies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests the difference between any consideration paid and the relevant share acquired of the carrying net assets of the subsidiary is deducted from equity.

### (c) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period taxable income based on the current income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Under AASB 112: *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Balance Sheet and their associated tax bases.

#### Tax Consolidation Legislation

Effective, 4 April 2007, in accordance with the tax consolidation legislation, Platinum Asset Management Limited is responsible for the tax liabilities of the Group (which also includes Platinum Asset Pty Limited, Platinum Investment Management Limited and McRae Pty Limited). Prior to that time, each entity in the Group was responsible for its own tax liabilities, other than Platinum Asset Pty Limited, which was responsible for the tax liabilities of Platinum Investment Management Limited. Each entity accounts for their own current and deferred tax amounts.

# Notes to the Financial Statements

30 June 2007

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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

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

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

### (e) Transaction Costs

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

### (f) Foreign Currency Translation

Items included in the financial statements of each of the entities in the consolidated group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

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

### (g) Revenue Recognition

#### Management, Administration and Performance Fees

Management, administration and performance fees are recognised as they are earned and all expenses are brought to account on an accruals basis.



### Interest Income

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

### Dividend Income

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

### (h) 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.

### (i) Cash and Cash Equivalents

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

Cash at the end of the financial year, as shown in the Cash Flow Statement, is reconciled to the related item in the Balance Sheet.

### (j) Receivables

All receivables are recognised as and when they are due.

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

### (k) Payables

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

### (l) Employee Entitlements

Liabilities for employees' entitlements to salaries, annual leave, sick leave are accrued at nominal amounts calculated on the basis of current salary rates. Liabilities for long service leave which are not to be paid or settled within 12 months of balance date, are accrued in respect of all employees at the present values of future amounts. Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

# Notes to the Financial Statements

30 June 2007

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (m) Share-Based Payments

In May 2007, Platinum Asset Management Limited introduced an Option and Performance Rights Plan (OPRP) in which certain employees of its subsidiary, Platinum Investment Management Limited were granted Options or Performance Rights. Information relating to the OPRP is set out in Note 9.

AASB Interpretation 11 AASB 2: *Group and Treasury Share Transactions* and AASB 2007-1 *Amendments to Australian Accounting Standards* arising from AASB Interpretation 11 are effective for annual reporting periods commencing on or after 1 March 2007.

AASB Interpretation 11 addresses whether certain types of share-based payment transactions should be accounted for as equity-settled or as cash-settled transactions and specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent. The Group has applied this interpretation early with the impact being that the expense related to grants made during the year being recognised in the employing entity.

The fair value of options granted under the OPRP is recognised in the consolidated accounts as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the Options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the Options or Performance Rights, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the Options or Performance Rights.

At each balance date, the consolidated entity revises its estimates of the number of Options and Performance Rights that are expected to become exercisable. The OPRP expense recognised each period takes into account the most recent estimate. The impact of any revision to the original estimate will be recognised in the Income Statement with the corresponding adjustment to equity.

## **(n) Contributed Equity**

Ordinary shares are classified as equity.

## **(o) Earnings per Share**

### **(i) Basic Earnings per Share**

Basic earnings per share is determined by dividing the profit attributable to equity holders by the weighted average number of shares outstanding during the financial year.

### **(ii) Diluted Earnings per Share**

Diluted earnings per share adjusts the figure used to determine basic earnings per share to take into account the Options and Performance Rights issued under the OPRP (see Note 9).

## **(p) Dividends**

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

## **(q) Depreciation**

Fixed assets are stated at historical cost less depreciation. Fixed assets are depreciated over their estimated useful lives using the diminishing balance method.

The expected useful lives are as follows:

Computer Equipment	4 years
Software	2.5 years
Communications Equipment	4 – 20 years
Office Fitout	5 – 13 1/3 years
Office Furniture and Equipment	5 – 13 1/3 years

Gains and losses on disposals are included in the Income Statement.

## **(r) Rental Expense**

Platinum Investment Management Limited has entered into a lease agreement for the premises it occupies and pays rent on a monthly basis. Details of the financial commitments relating to the lease are included in Note 17.

# Notes to the Financial Statements

30 June 2007

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (s) Rounding of Amounts

The consolidated entity 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 to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

### (t) 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.

Cash flows are presented on a gross basis.

### (u) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2007 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

- (i) *AASB 7: Financial Instruments Disclosures and AASB 2005-10: Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 133, AASB 139 and AASB 1)*

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

The consolidated entity has not adopted the standard early. Application of this standard will not affect any of the amounts recognised in the financial statements.

(ii) **AASB 101: *Presentation of Financial Statements***

The impacts of the revised AASB 101 are to eliminate much of the Australian specific content, including the Australian illustrative formats of the Income Statement, Balance Sheet and Statement of Changes in Equity which entities were previously “encouraged” to adopt when preparing their financial statements.

(iii) **AASB 8: *Operating Segments* and AASB 2007-3: *Amendments to Australian Accounting Standards* (AASB 107 and AASB 134)**

AASB 8 and AASB 2007-3 are applicable to annual reporting periods beginning on or after 1 January 2009. AASB 8 requires the adoption of a “management approach” to disclosing information about its reporting segments. Generally, the financial information will be reported on the same basis as is used internally by the chief decision maker for evaluating operating segment performance and deciding how to allocate resources to operating segments. The amendment should not affect the consolidated entity’s financial statements.

(iv) **AASB 2007-4: *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* (AASB 1, AASB 7, AASB 114, AASB 118, AASB 121, AASB 132 and AASB 134)**

AASB 2007-4 was introduced to allow accounting policy choices under AIFRS that were not previously incorporated by the AASB, and to remove many Australian specific disclosures. This standard is not expected to have any impact on the Company or consolidated entity.

# Notes to the Financial Statements

30 June 2007

	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
<b>2. INCOME TAX</b>				
<b>(a) The income tax expense attributable to profit comprises:</b>				
Current income tax provision	97,968	86,004	17,093	5,608
Deferred tax assets	(3,753)	(110)	–	–
Deferred tax liabilities	(4,497)	4,488	(4,381)	4,381
Under provision of prior period	–	4	–	–
<b>Income tax expense</b>	<b>89,718</b>	<b>90,386</b>	<b>12,712</b>	<b>9,989</b>

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	275,891	301,704	280,455	130,739
Prima facie income tax on profit at 30%	82,767	90,511	84,137	39,222
Tax effect on amounts which reduce tax payable:				
– Allowable credits	(37)	(133)	(75,948)	(29,233)
– Non-assessable income	(28)	–	(28)	–
Tax-effect of amounts which are non-deductible:				
– Stamp duty	2,265	–	–	–
– Share-Based Payments	197	–	–	–
– Other non-deductible expenses	3	4	–	–
Tax effect on adjustment for investment revaluations	4,551	–	4,551	–
Under provision of prior period	–	4	–	–
<b>Income tax expense</b>	<b>89,718</b>	<b>90,386</b>	<b>12,712</b>	<b>9,989</b>

	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
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## 2. INCOME TAX *continued*

### (b) Deferred Tax Assets

The balance comprises temporary differences attributable to:

Fringe Benefits Tax	8	9	–	–
Unrealised foreign exchange losses	2	–	–	–
Quarantined foreign losses	206	–	–	–
Capital expenses not immediately deductible	3,497	–	–	–
Employee entitlements:				
– Long service leave	150	173	–	–
– Annual leave	269	236	–	–
Printing and mailhouse	34	57	–	–
Make-good of subsidiary's premises	–	33	–	–
Periodic reporting	60	–	–	–
Tax fees	66	40	–	–
Audit fees	48	39	–	–
<b>Deferred tax assets</b>	<b>4,340</b>	<b>587</b>	<b>–</b>	<b>–</b>

### (c) Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

Revaluation of equities for AIFRS	–	4,476	–	4,381
Interest receivable	–	21	–	–
<b>Deferred tax liabilities</b>	<b>–</b>	<b>4,497</b>	<b>–</b>	<b>4,381</b>

## 3. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

Listed and unlisted securities	–	112,263	–	108,680
	–	112,263	–	108,680

# Notes to the Financial Statements

30 June 2007

	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
<b>4. FIXED ASSETS</b>				
<b>(a) Land and buildings</b>				
Investment property	–	1,589	–	1,589
	–	1,589	–	1,589
<b>(b) Plant and equipment</b>				
Computer equipment (at cost)	589	520	–	–
Less: Accumulated depreciation	(386)	(259)	–	–
	203	261	–	–
Purchased software (at cost)	491	442	–	–
Less: Accumulated depreciation	(354)	(219)	–	–
	137	223	–	–
Capitalised software (at cost)	1,033	749	–	–
Less: Accumulated depreciation	(663)	(535)	–	–
	370	214	–	–
Communication equipment (at cost)	128	135	–	–
Less: Accumulated depreciation	(78)	(78)	–	–
	50	57	–	–
Office premises fit out (at cost)	1,671	601	–	–
Less: Accumulated depreciation	(73)	(97)	–	–
	1,598	504	–	–
Office furniture and equipment (at cost)	467	504	–	27
Less: Accumulated depreciation	(114)	(113)	–	(25)
	353	391	–	2
	2,711	1,650	–	2



	Land and buildings 2007 \$'000	Land and buildings 2006 \$'000	Office furniture and equipment 2007 \$'000	Office furniture and equipment 2006 \$'000
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#### 4. FIXED ASSETS *continued*

##### (c) Asset movements during the year

###### Parent entity

Opening	1,589	1,589	2	3
Additions	–	–	–	–
Disposals	(1,589)	–	(2)	–
Depreciation expense	–	–	–	(1)
<b>Closing balance</b>	–	1,589	–	2

	Computer equipment 2007 \$'000	Computer equipment 2006 \$'000	Purchased software 2007 \$'000	Purchased software 2006 \$'000
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###### Consolidated entity

Opening	261	278	223	122
Additions	82	117	65	236
Disposals	(4)	(2)	(1)	(10)
Depreciation expense	(136)	(132)	(150)	(125)
<b>Closing balance</b>	203	261	137	223

	Capitalised software 2007 \$'000	Capitalised software 2006 \$'000	Communica-tions equipment 2007 \$'000	Communica-tions equipment 2006 \$'000
--	--	--	---	---

Opening	214	457	57	85
Additions	302	63	17	8
Disposals	(18)	–	(6)	–
Depreciation expense	(128)	(306)	(18)	(36)
<b>Closing balance</b>	370	214	50	57

# Notes to the Financial Statements

30 June 2007

	Office premises fit out 2007 \$'000	Office premises fit out 2006 \$'000	Office furniture and equipment 2007 \$'000	Office furniture and equipment 2006 \$'000
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## 4. FIXED ASSETS *continued*

### (c) Asset movements during the year *continued*

Opening	504	509	390	364
Additions	1,595	46	110	76
Disposals	(417)	–	(101)	(1)
Depreciation expense	(84)	(51)	(46)	(48)
<b>Closing balance</b>	<b>1,598</b>	<b>504</b>	<b>353</b>	<b>391</b>

	Land and buildings 2007 \$'000	Land and buildings 2006 \$'000
Opening	1,589	1,589
Additions	–	–
Disposals	(1,589)	–
Depreciation expense	–	–
<b>Closing balance</b>	<b>–</b>	<b>1,589</b>

	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
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## 5. PAYABLES

Trade creditors	7,863	2,155	–	3
Goods and Services Tax (GST)	1,954	1,715	–	–
Other payables	1	–	1	–
	<b>9,818</b>	<b>3,870</b>	<b>1</b>	<b>3</b>

Trade creditors are unsecured and payable between seven and 30 days after the Company becomes liable.

	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
<b>6. PROVISIONS</b>				
Long service leave	501	577	–	–
Annual leave	895	788	–	–
	<b>1,396</b>	1,365	–	–

## 7. FRANKING ACCOUNT

Opening balance based on tax paid and franking credits attached to dividends paid – converted at 30%	210,916	121,643	127,784	80,732
Franking credits received	4,542	–	–	–
Dividends paid	(277,837)	(11,355)	(248,363)	(857)
Tax paid or payable	98,231	100,594	42,384	6,305
Dividends received	21	34	108,464	41,604
Franking credits received	–	–	5,604	–
<b>Estimated franking credits available</b>	<b>35,873</b>	210,916	<b>35,873</b>	127,784

Franking credits available represents the amount of retained profits that could be paid as dividends and be franked out of existing credits or out of franking credits arising from the payment of income tax in the period subsequent to 30 June 2007.

During the year, the Company formed a tax consolidated group with its subsidiaries, with the Company becoming the head entity. Any available franking credits from these subsidiaries were transferred to the Company's franking account.

# Notes to the Financial Statements

30 June 2007

Date	Details	Quantity	Price per share \$	Share capital \$
<b>8(a). CONTRIBUTED EQUITY</b>				
<b>Movement in Share Capital (Parent and Consolidated)</b>				
1 July 2005	Opening Balance	100	1	100
3 April 2007	Stock split (subdivided 100 shares into 435,181,783 shares)	435,181,783	–	–
4 April 2007	38,793,950 shares issued in the Company for 100 McRae Pty Limited shares	38,793,950	5	193,969,750
5 April 2007	87,024,267 shares issued in the Company for 279,295 shares in Platinum Asset Pty Limited	87,024,267	5	435,121,335
<b>Contributed equity</b>		561,000,000		629,091,185

Date	Details	Reserves \$
<b>8(b). RESERVES</b>		
30 June 2007	Capital Reserve	(588,127,324)
	Equity issued through the granting of Options and Performance Rights (see Note 9)	656,901
<b>Reserves</b>		<b>(587,470,423)</b>

In preparation for listing, a restructure was undertaken, in which the Company sold or transferred all of its assets, other than its beneficial interest in shares in Platinum Asset Management and sufficient cash to meet its year to date income tax liability.

The Company then split its issued share capital of 100 shares into 435,181,783 ordinary shares. It then took its beneficial interests of Platinum Investment Management Limited to 100%, through scrip for scrip offers, in consideration for the issue of 125,818,217 ordinary shares in the Company.

As a result of the share split and takeover offers, the Company had 561,000,000 ordinary shares on issue and beneficially held 100% of the issued share capital of Platinum Investment Management Limited. Subsequently, 140,250,000 shares on issue representing 25% of the issued shares of the Company were sold to the public by existing Shareholders.

The capital reserve represents the difference between consideration paid for the purchase of the minority interests and the share of net assets acquired.

# Notes to the Financial Statements

30 June 2007

## 9. OPTION AND PERFORMANCE RIGHTS PLAN (OPRP)

Platinum Asset Management Limited established the OPRP to assist in the reward, retention and motivation of eligible employees and management.

### Options

Certain Portfolio Managers, Analysts and other employees were granted Options under the OPRP, to take up shares in Platinum Asset Management Limited at a \$5 strike price (the same as the initial offer price for the Platinum Asset Management Limited shares). The Options vest after four years and have a further two year exercise period. Platinum Asset Management Limited initially granted 27,010,467 Options to these employees and this represented 4.81% of the issued shares of Platinum Asset Management Limited.

### Performance Rights

Employees who did not receive an invitation to apply for Options under the OPRP were granted Performance Rights to take up Platinum Asset Management Limited shares. The Performance Rights are rights to take up Platinum Asset Management Limited shares and have no strike price.

The Performance Rights vest after three years and have a further two year exercise period. Platinum Asset Management Limited initially granted 372,703 Performance Rights to eligible employees. This represented 0.07% of the issued shares of Platinum Asset Management Limited.

## 9. OPTION AND PERFORMANCE RIGHTS PLAN (OPRP) *continued*

Set out below are summaries of Options and Performance Rights granted under the OPRP:

	Options	Performance Rights
Grant date	22 May 2007	22 May 2007
Vesting date	22 May 2011	22 May 2010
Expiry date	22 May 2013	22 May 2012
Exercise price	\$5.00	\$0.00
Balance at start of the year (number)	–	–
Granted during the year (number)	27,010,467	372,703
Exercised during the year (number)	–	–
Forfeited during the year (number)	(224,400)	–
Balance at end of the year (number)	26,786,067	372,703
Vested and exercisable at end of the year (number)	–	–

### Fair Value of Options and Performance Rights Granted

The assessed fair value at grant date of Options and Performance Rights during the year ended 30 June 2007 was \$0.82 per Option (2006 – not applicable) and \$4.26 per Performance Right (2006 – not applicable).

	Options	Performance Rights
Model inputs for Options and Performance Rights granted during the year ended 30 June 2007 included:		
(a) Exercise price:	\$5.00	\$0.00
(b) Grant date:	22 May 2007	22 May 2007
(c) Expiry date:	22 May 2013	22 May 2012
(d) Days to expiry (mid-point):	1,825 days	1,095 days
(e) Share price at grant date:	\$5.00	\$5.00
(f) Assumed volatility of the Company's shares:	22.5%	22.5%
(g) Assumed dividend yield:	5.35%	5.35%
(h) Risk free interest rate:	6.11%	6.17%

# Notes to the Financial Statements

30 June 2007

## 9. OPTION AND PERFORMANCE RIGHTS PLAN (OPRP) *continued*

As the Company is newly listed, there is no historical basis to work out the assumed price volatility of the Company's shares. Therefore, the assumed volatility is based on an analysis of comparable listed funds management companies.

### Expenses arising from Share-Based Payment Transactions

Total expenses arising from share-based payment transactions were as follows:

	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
Granting of Options and Performance Rights issued under the OPRP	657	–	–	–
Associated payroll tax expense (included in staff expenses)	1,189	–	–	–
	<b>1,846</b>	–	–	–

In order to reward and retain key employees, additional Options and Performance Rights may be issued under the OPRP or other incentive plans, over time, in compliance with the *Corporations Act 2001* and relevant ASIC relief.



	Consolidated 2007	Consolidated 2006
<b>10. EARNINGS PER SHARE</b>		
Basic earnings per share – dollars per share	<b>0.27</b>	1,655,960
Diluted earnings per share – dollars per share	<b>0.27</b>	1,655,960

The reduction in earnings per share in 2007 is primarily caused by the stock split that occurred as part of the restructure (see Note 8(a)).

	Consolidated 2007	Consolidated 2006
Weighted average number of Ordinary Shares on issue used in the calculation of basic earnings per share	<b>561,000,000</b>	100
Weighted average number of Ordinary Shares on issue used in the calculation of diluted earnings per share	<b>564,970,653</b>	100

	Consolidated 2007 \$'000	Consolidated 2006 \$'000
Earnings used in the calculation of basic and diluted earnings per share	<b>152,943</b>	165,596

	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
--	--------------------------------	--------------------------------	---------------------------------	---------------------------------

## 11. RETAINED PROFITS

Retained earnings at the beginning of the financial year	<b>500,783</b>	300,760	<b>313,186</b>	179,267
Adjustment on adoption of AASB 132 and AASB 139 net of tax to retained profits	–	15,200	–	15,169
Net profit	<b>186,173</b>	211,318	<b>267,743</b>	120,750
Dividends paid or payable	<b>(650,752)</b>	(26,495)	<b>(579,513)</b>	(2,000)
<b>Retained earnings at the end of the financial year</b>	<b>36,204</b>	500,783	<b>1,416</b>	313,186

# Notes to the Financial Statements

30 June 2007

	Parent entity 2007 Dollars/share	Parent entity 2007 \$'000	Parent entity 2006 Dollars/share	Parent entity 2006 \$'000
<b>12. DIVIDENDS (FULLY FRANKED)</b>				
Paid – fully franked at 30%	<b>1.03</b>	<b>579,513</b>	20,000	2,000
	<b>1.03</b>	<b>579,513</b>	20,000	2,000

The reduction in dividends per share in 2007 is primarily caused by the stock split that occurred as part of the restructure (see Note 8(a)).

The Directors anticipate that the next dividend paid will be a fully franked interim dividend paid out around March 2008 and a fully franked final dividend should be paid out around November 2008. There is a Dividend Reinvestment Plan in existence but it has not been activated nor is it likely to be so.

	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
--	--------------------------------	--------------------------------	---------------------------------	---------------------------------

## 13. NOTES TO THE CASH FLOW STATEMENT

### (a) Reconciliation of Cash

Cash at bank	<b>3</b>	31	–	–
Cash on deposit	<b>73,069</b>	457,354	–	201,147
	<b>73,072</b>	457,385	–	201,147

Cash on deposit at 30 June 2007 is at call.

	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
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### 13. NOTES TO THE CASH FLOW STATEMENT *continued*

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

Profit after income tax	<b>186,173</b>	211,318	<b>267,743</b>	120,750
Adjustment to profit for AIFRS	<b>29,772</b>	15,200	<b>29,772</b>	15,169
Depreciation expense	<b>562</b>	698	–	1
Fixed assets scrapped	<b>526</b>	14	–	–
Options and Performance Rights	<b>657</b>	–	–	–
(Gain)/loss on investments	<b>(44,116)</b>	(42,296)	<b>(43,965)</b>	(38,900)
(Increase)/decrease in cash due to exchange rate movements	<b>(7)</b>	(109)	–	–
Decrease/(Increase) in trade debtors	<b>(1,903)</b>	(7,370)	<b>881</b>	(876)
Decrease/(Increase) in interest receivable	<b>(136)</b>	(38)	–	–
Decrease/(Increase) in prepayments	<b>(186)</b>	(144)	<b>23</b>	(23)
Decrease/(increase) in related party account	–	(11)	<b>(15,575)</b>	–
(Decrease)/Increase in trade creditors and GST	<b>5,947</b>	724	<b>(3)</b>	1
(Decrease)/Increase in provisions	<b>31</b>	426	–	–
Decrease/(Increase) in income tax receivable	–	282	–	–
(Decrease)/Increase in income tax payable	<b>(46,963)</b>	48,031	<b>24,019</b>	1,435
Decrease/(Increase) in deferred tax assets	<b>(3,753)</b>	(110)	–	–
(Decrease)/Increase in deferred tax liabilities	<b>(4,497)</b>	4,488	<b>(4,381)</b>	4,381
	<b>122,107</b>	231,103	<b>258,514</b>	101,938

# Notes to the Financial Statements

30 June 2007

## 14. CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS TO CAPITAL EXPENDITURE

No contingent assets or liabilities exist at balance date. The consolidated entity has no commitments for significant capital expenditure.

## 15. SUBSEQUENT EVENTS

No significant events have occurred since the balance date which would impact on the financial position of the consolidated entity as at 30 June 2007 and on the results for the year ended on that date.

## 16. SEGMENT INFORMATION

The consolidated entity operates its funds management business solely in Australia. However, it generates management and performance fees from US-based Investment Mandates. In addition, the parent entity held overseas investments at 30 June 2006 which were realised in 2007.

	Segment Revenue \$'000	Segment Results \$'000	Segment Assets \$'000	Segment Liabilities \$'000
<b>2007</b>				
Australia	270,634	209,240	101,390	27,419
Asia – Ex Japan	504	504	–	–
Japan	1,737	1,737	–	–
Europe – Euro	2,220	2,220	–	–
Europe – Other	486	486	–	–
North America	61,431	61,431	3,854	–
Unallocated	273	273	–	–
	337,285	275,891	105,244	27,419

	Segment Revenue \$'000	Segment Results \$'000	Segment Assets \$'000	Segment Liabilities \$'000
<b>16. SEGMENT INFORMATION</b> <i>continued</i>				
<b>2006</b>				
Australia	222,097	189,712	518,456	72,900
Asia – Ex Japan	1,866	1,866	1,365	–
Japan	4,075	4,075	17,542	–
Europe – Euro	2,032	2,032	14,526	–
Europe – Other	464	464	3,635	–
North America	102,948	102,948	46,822	–
Unallocated	607	607	–	–
	<b>334,089</b>	<b>301,704</b>	<b>602,346</b>	<b>72,900</b>

## 17. LEASE COMMITMENTS

Total lease expenditure contracted for at balance date but not provided for in the accounts is as follows:

	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
<b>Operating Leases</b>				
Payable not later than one year	<b>1,176</b>	923	–	–
Payable later than one, not later than two years	<b>2,529</b>	1,093	–	–
Payable later than two, not later than five years	<b>4,271</b>	3,567	–	–
Payable later than five years	<b>2,511</b>	6,252	–	–
	<b>10,487</b>	<b>11,835</b>	–	–

# Notes to the Financial Statements

30 June 2007

## 18. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the Auditor to the consolidated entity.

	2007 \$'000	2006 \$'000
Audit services – statutory	259	217
Taxation services – compliance	343	320
Taxation services – advice	19	–
Advisory services – foreign tax agent	16	12
	637	549
Advisory services – IPO, restructuring and related one-off costs	935	–
	1,572	549

## 19. RISK MANAGEMENT

The key risks associated with the consolidated entity's business are those which could result from a decrease in funds under management ("FUM"). A decrease in FUM will directly impact on fee income and profit, because the fee income is calculated as a percentage of FUM. Market weakness can reduce FUM and therefore fee income. The Investment Manager, sometimes employs hedging strategies to mitigate the impact of adverse market and exchange rate movements. Market risk is managed through the use of derivative contracts, futures, options and swaps. Currency risk is managed through the use of forward currency contracts and options on forward contracts.

In addition, the consolidated entity is exposed to counterparty risks – the possibility of losing money owing to the default of a deposit taking institution. This risk is managed by lending to low risk deposit taking institutions that have high credit ratings.

## 20. INVESTMENTS

The Company held the following investments.

	Consolidated 2007 \$'000	Consolidated 2006 \$'000	Parent entity 2007 \$'000	Parent entity 2006 \$'000
Shares in Platinum Asset Pty Limited	–	–	<b>436,518</b>	1,396
Shares in McRae Pty Limited	–	–	<b>193,969</b>	–
Shares in Platinum Investment Management Limited – OPRP (see Note 9)	–	–	<b>657</b>	–
	–	–	<b>631,144</b>	1,396
Other investments	–	5,662	–	5,662
	–	5,662	<b>631,144</b>	7,058

## 21. THE COMPANY

Platinum Asset Management Limited (“the Company”) is a company limited by shares, incorporated and domiciled in New South Wales. Its registered office and principal place of business is:

Level 8, 7 Macquarie Place,  
Sydney NSW 2000.

The Company is the ultimate holding company for the entities listed in Note 22.

## 22. THE SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

- McRae Pty Limited (incorporated in Australia) – (100% owned by the Company from 4 April 2007; 2006: nil).
- Platinum Asset Pty Limited (incorporated in Australia) – (2007: 100% owned by the Company; 2006: 78% owned by the Company).
- Platinum Investment Management Limited (incorporated in Australia) – (indirectly 100% owned by the Company; 2006: indirectly 78% owned by the Company).

# Notes to the Financial Statements

30 June 2007

## 23. RELATED PARTY DEALINGS

### (a) Directors Remuneration

Details of all remuneration paid to Directors is disclosed in the Directors' Report.

### (b) Fees Received

Platinum Investment Management Limited provides investment management services to related party unit trusts – the Platinum Trust Funds and to the ASX-listed investment company, Platinum Capital Limited. Platinum Investment Management is entitled to receive a monthly management fee from Platinum Capital Limited and the Platinum Trust Funds, a monthly administration fee from the Platinum Trust Funds and in some instances a performance fee (which is calculated annually) based upon the relevant Funds Investment return over and above a specified benchmark. The total related party fees for the year ended 30 June 2007 of \$202,887,100 is included in the Income Statement. Included in these fees is an amount receivable at 30 June 2007 of \$24,053,190.



## Directors' Declaration

In the Directors' opinion,

- (a) the financial statements and notes set out on pages 46 to 78 are in accordance with the *Corporations Act 2001* including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that Platinum Asset Management 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 30 to 34 of the Directors' Report comply with AASB 124: *Related Party Disclosures* and the *Corporations Regulations 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*.

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



**Michael Cole**  
DIRECTOR



**Kerr Neilson**  
DIRECTOR

Sydney, 21 August 2007

# Independent Audit Report

to the Members of Platinum Asset Management Limited

## REPORT ON THE FINANCIAL REPORT AND THE AASB 124 REMUNERATION DISCLOSURES CONTAINED IN THE DIRECTORS' REPORT

We have audited the accompanying financial report of Platinum Asset Management Limited, which comprises the balance sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration for both Platinum Asset Management and the Platinum Asset Management Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of Directors and Executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" in pages 30 to 34 of the Directors' Report and not in the financial report.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT AND THE AASB 124 REMUNERATIONS DISCLOSURES CONTAINED IN THE DIRECTORS' 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 control 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 compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The Directors of the Company are also responsible for the remuneration disclosures contained in the Directors' Report.

## 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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the Directors' Report based on our audit.

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

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

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

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.

# Independent Audit Report

to the Members of Platinum Asset Management Limited

## MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL REPORT

This audit report relates to the financial report and remuneration disclosures of Platinum Asset Management Limited (the company) for the financial year ended 30 June 2007 included on the Platinum Asset Management Limited website. The Company's Directors are responsible for the integrity of the Platinum Asset Management Limited website. We have not been engaged to report on the integrity of this website. The audit report refers only to the financial report and remuneration disclosures identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this website.

## INDEPENDENCE

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

## AUDITOR'S OPINION ON THE FINANCIAL REPORT

In our opinion:

- (a) the financial report of Platinum Asset Management Limited is in accordance with the *Corporation Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 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*.
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

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

**AUDITOR'S OPINION ON THE AASB 124 REMUNERATION DISCLOSURES  
CONTAINED IN THE DIRECTORS' REPORT**

In our opinion, the remuneration disclosures that are contained in pages 30 to 34 of the Directors' Report comply with Accounting Standard AASB 124.



**PricewaterhouseCoopers**



**D Prothero**

PARTNER

Sydney, 21 August 2007

# Pro-Forma Financial Results (Unaudited)

## of the Platinum Operating Business

The Income Statement includes income and expenses, which were derived by the Company, when it was private in nature. The Income Statement has been presented in order to comply with Australian Accounting Standards and does not reflect the financial performance of the Platinum Asset Management funds management business.

In future years' financial accounts the consolidated results will only reflect the operating business of the group and will not be distorted by the pre-acquisition results of the past when the Company was a private company.

Below is a pro-forma Income Statement of Platinum's funds management operations for the 2006 and 2007 financial years excluding the impact of the financial performance of the private company. The information presented below is consistent with future reporting periods and the pro-forma Income Statement in the IPO prospectus.

### PRO-FORMA INCOME STATEMENT

for the year ended 30 June 2007

	2007 \$'000	2006 \$'000
<b>Income</b>		
Management fees	<b>251,008</b>	200,119
Performance fees	<b>37,623</b>	80,551
Administration fees	<b>11,068</b>	8,666
Interest	<b>9,377</b>	7,877
Dividends	<b>13</b>	20
Net gains on equities and derivatives	<b>956</b>	1,739
Net gains/(losses) on foreign currency contracts	<b>(289)</b>	972
Net (losses) on overseas bank accounts	<b>(508)</b>	–
Other investment	–	(51)
<b>Total income</b>	<b>309,248</b>	299,893

	2007 \$'000	2006 \$'000
<b>Expenses</b>		
IPO, restructuring and related one-off costs	21,950	–
Staff	16,774	15,020
Custody and unit registry	10,436	8,432
Marketing	3,412	2,835
Research	1,395	934
Technology	1,046	1,037
Rental	942	773
Legal and compliance	662	402
Options and Performance Rights	657	–
Auditors' remuneration	637	549
Depreciation	562	697
Fixed assets scrapped	526	14
Mail house	420	494
Share registry	280	–
Other professional	257	87
Periodic reporting	200	–
Other occupancy	178	252
Miscellaneous	436	404
<b>Total expenses</b>	<b>60,770</b>	<b>31,930</b>
<b>Profit before income tax expense</b>	<b>248,478</b>	<b>267,963</b>
Income tax expense	77,006	80,397
<b>Profit after income tax expense</b>	<b>171,472</b>	<b>187,566</b>
<b>Basic Earnings per Share (Dollars)</b>		
Based on the issue of 561,000,000 ordinary shares	0.31	0.33
<b>Diluted earnings per share (dollars)</b>	<b>0.30</b>	<b>0.33</b>

**Directors**

Michael Cole  
Bruce Coleman  
Margaret Towers  
Kerr Neilson  
Malcolm Halstead

**Share Registrars**

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Level 3, 60 Carrington Street  
Sydney NSW 2000  
Phone 1300 855 080 and (61 3) 9415 4000  
Fax 61 3 9473 2118

**Secretary**

Malcolm Halstead

**Auditors and Taxation Advisors**

PricewaterhouseCoopers  
201 Sussex Street  
Sydney NSW 2000

**Investment Manager**

Platinum Investment Management Limited

**Securities Exchange Listing**

Ordinary Shares listed on  
the Australian Securities Exchange  
ASX Code: PTM

**Shareholder Liaison**

Liz Norman

**Registered Office**

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