ANNUAL REPORT 2013

PLATINUM ASSET MANAGEMENT LIMITED ABN 13 050 064 287

Directors

Michael Cole
Margaret Towers
Andrew Clifford
Philip Howard
Bruce Coleman
Kerr Neilson
Elizabeth Norman

Company Secretary

Philip Howard

Shareholder Liaison

Elizabeth Norman

Registered Office

Level 8, 7 Macquarie Place
Sydney NSW 2000

Phone 1300 726 700 (Australia only)
Phone 0800 700 726 (New Zealand only)
Phone +61 2 9255 7500
Fax +61 2 9254 5555

Share Registrar

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000

Phone 1300 855 080 (Australia only)
Phone +61 3 9415 4000
Fax +61 3 9473 2500

Auditor and Taxation Advisor

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

Securities Exchange Listing

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

Website

www.platinum.com.au/Shareholder-information/

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

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CHAIRMAN'S REPORT

Performance

The Company has performed satisfactorily over the course of the year, given the prevailing uncertainty of global investment markets.

The three key variables that drive the profitability of the Platinum business model are: weighted-average Funds Under Management (FUM) growth, investment performance fees earned and expense growth.

Over the financial year, average FUM increased from $16.0 billion to $16.8 billion, a lift of 5%.

Performance fees earned increased substantially to $5 million from a very low $0.2 million in the previous year. The majority of this performance fee was earned from a new global equity performance fee mandate, which is a significant Australian superannuation provider. This new mandate was signed in October 2012 with a capital injection of approximately $700 million.

Expense growth was well-contained to record a 3.6% increase.

These factors combined to generate a net profit after tax of $129.1 million (2012: $126.4 million), an increase of 2.2%. This translated to diluted earnings per share of 22.58 cents compared to 22.51 cents in 2012.

Funds Under Management (FUM)

The opening FUM for the year was $14.9 billion and this increased to $19.8 billion at 30 June 2013. This represents an increase of 32.9% year-on-year.

The major contributor to the increase in the closing FUM over the period was investment returns, which increased by approximately $5.3 billion. Capital flows decreased by $0.2 billion and distributions were $0.2 billion. This strong investment performance occurred in the second-half of the financial year and the outstanding results across all Platinum funds is a testament to the skill and expertise of the investment management team.

Platinum investment returns generally benefits from strong global equity markets and weak Australian dollar performance. By way of example, the flagship fund, Platinum International Fund, recorded a 37.3% return for the year, which was an impressive 6.8% above the MSCI World Net Index in Australian dollars. In the same period, the same Index in US dollars was up 16.6% and the Australian dollar/US dollar declined 10.8%.

FUM at 31 July 2013 is at a healthy level of $20.5 billion. In the current financial year, investment management fees will be generated from an opening FUM level, which is over 30% higher than this time last year.

Funds Raised During the Year

During the year, the Company raised $83.9 million as a result of staff exercising options that were granted in 2007 and 2009. This has resulted in the Company issuing an additional 16,797,817 shares in the Company toward the close of the financial year.

The granting of options, under an options plan that commenced at the time of the Company's listing on the ASX in 2007, has been successful in retaining the services of senior, highly qualified staff over an extended period of time.

The Board has given careful consideration as to how the Company can best use the funds raised from the issue of shares to the benefit of all shareholders. One of the options that the Board is currently considering is the launch of a UCITS (Undertaking for Collective Investment in Transferable Securities) Fund, which will allow the Company to grow its business by building the Platinum brand name offshore and expanding our investor base outside of Australia.

Dividend

A fully franked dividend of 14 cents per share will be paid on 23 September 2013.

A fully franked dividend of 8 cents per share was paid on 18 March 2013.

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

Whilst the Company has a Dividend Reinvestment Plan in place, it has not been activated or likely to be activated in the near term.

Additions to the Board

On 8 May 2013, the Company appointed two new Executive Directors.

Andrew Clifford was appointed to the role of Chief Investment Officer. Andrew is a co-founder of Platinum and his appointment reflected changes to Platinum's investment management team's structure implemented over the last two years.

Elizabeth Norman was appointed to the Board as Director of Investor Services and Communications. Elizabeth's appointment reflects the widening of Platinum's client-base and reflects our greater commitment to supporting retail and institutional clients.

CHAIRMAN'S REPORT
CONTINUED

This is now appropriate for Platinum because it gives the Board greater oversight and understanding of all its business initiatives. At the same time, the Board has reviewed its current governance arrangements to reconcile a majority of Executive Directors with good governance principles. This has been achieved by amendments to the Board Charter and an enhanced Board committee structure. As part of this process, the voting control of the Non-Executive Directors has been maintained.

Remuneration Matters
Despite the low "no" vote of less than 2% of total votes cast against the 2012 Remuneration Report at the 2012 AGM, the Company has taken the opportunity to fully explain the basis and structure of remuneration paid to its Key Management Personnel ("KMP").

The Remuneration Report is presented on pages 21 to 32 of the Financial Report and I encourage all shareholders to read the report.

Key remuneration outcomes during the year were:

(1) there has been no increase in base salary paid to any of the KMP;

(2) three out of the seven KMP received a bonus in 2013 and this increase was well below the increase in FUM;

(3) there were no options granted during the year;

(4) the Managing Director again waived his right to receive a bonus in 2013 and this has been ratified by the Nomination and Remuneration Committee; and

(5) the increase in the Company's share price above the strike price meant the employees were able to exercise options that were granted to them in 2007 and 2009.

The Committees
Both the Nomination and Remuneration Committee and Audit, Risk and Compliance Committee had a productive year dealing with a number of material issues that impacted the Company's performance and compliance obligations. The Remuneration Committee now has an expanded responsibility to include Director nomination and review, in compliance with ASX Governance Principle 2.4.

Environment
Your Company remains carbon neutral, having purchased carbon credits to offset its carbon emissions.

Conclusion

The Managing Director's Letter to Shareholders addresses the challenges that are being confronted in order to achieve the best performance outcome for investors, which remains our primary focus. It is anticipated that continued sound performance by global equity markets with well-diversified investment opportunities at the corporate level and further downward pressure on the Australian dollar will assist in positive net fund flows into Platinum's investment products in the period ahead.

Michael Cole

Chairman

15 August 2013

MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS

As you will be aware, the fund management business is significantly influenced by the level of confidence in financial markets. We can nevertheless create opportunities of our own through strong performance and clear communication with investors regarding money making opportunities.

Investment Performance

Last year I wrote that we were not unduly perturbed by the poor performance we had experienced in the preceding two years as there are invariably times when one's investment style produces below trend performance. I assured you that our own assessment was that our particular style of stock picking was as efficacious as ever and that as market conditions changed, the past record suggested that we would regain form.

This has indeed happened and it is notable that in the last 12 months our principal funds have outperformed their benchmarks by a good margin. The flagship Platinum International Fund gave a return of 37.3% which is 6.8% above the return from the benchmark, MSCI All Country World Net Index. Since inception, the Fund has returned 12.8% compound pa after fees versus 4.9% pa from the MSCI AC World Index. This compounds into huge differentials and in this case, an initial investment of $10,000 in April 1995 would, as at 30 June 2013, be worth approximately $89,000 while that same investment in the Index would be worth approximately $24,000.

This outperformance is good by anyone's standards but in our view, what is even more impressive is the fact that each of the Platinum Trust Funds has outperformed their respective benchmarks over five years and since inception, some by a remarkably large margin as illustrated in the following table.

Platinum Trust Funds (%, compound pa to 30 June 2013)

FUND	5 YEARS	SINCE INCEPTION
Platinum International Fund	9.5	12.8
MSCI AC World Net Index	3.3	4.9
Platinum Unhedged Fund	9.7	9.9
MSCI AC World Net Index	3.3	3.2
Platinum Asia Fund	7.4	15.8
MSCI AC Asia ex Japan Net Index	4.5	9.5
Platinum European Fund	10.7	11.6
MSCI AC European Net Index	–0.8	0.6
Platinum Japan Fund	13.4	14.3
MSCI Japan Net Index	0.8	0.1
Platinum International Brands Fund	15.4	13.1
MSCI AC World Net Index	3.3	–1.0
Platinum International Health Care Fund	13.0	6.5
MSCI AC World Health Care Net Index	10.9	5.5
Platinum International Technology Fund	9.5	7.8
MSCI AC World Information Technology Net Index	6.1	–7.0

Source: Platinum and MSCI

The significance of this should not be underestimated. Remember, each of these funds is managed independently by a fund manager who is making discrete decisions regarding the choice of investments and the timing of purchases and sales of those investments within their fund. In combination with good data from the quantitative team and sound business assessments by our investment analysts, there is clearly a process at work that systematically adds value; in the jargon of the industry, it produces alpha.

You may well retort that periodic underperformance damages the returns you enjoy as a shareholder and you may ask how we can ameliorate this risk? We have no ready answer. However, one can point to the fact that at any one time there are parts of a market or whole markets that are experiencing neglect and this gives us the opportunity to migrate our portfolios away from overcrowded areas to those with more potential. By way of illustration, China which was seen as having boundless opportunities several years ago is now virtually derelict in investor's eyes. The valuations are attractive, it is the second-largest economy and despite issues with credit quality and lopsided development, it is still likely to grow faster than most economies. Moreover, we can buy the market in general for a price-to-earnings ratio of one third less than the US. It is also striking that the weight of US companies in the principal indices like the Morgan Stanley or FT series, at over 40%, contrasts with the US economy being responsible for around 20% of world GDP.

MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS CONTINUED

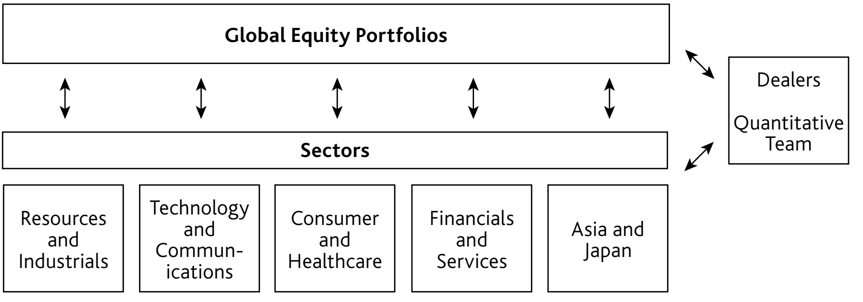
To remind you what we stated in last year's report: *"So why should clients entrust us with their funds over the next few years? Firstly, the record of our commentary suggests that we understand the inherent issues that risk assets face. Secondly, the process of neglected stock picking demonstrably works even though we were guilty of overpaying in the sharply declining market of 2011 but we are re-calibrating to try to take account of the prevailing level of fear. Thirdly, in a world of slow growth and periodic panics, we see a number of industries that 'have to grow'."* Last year we highlighted shale gas, digital mobility and supporting infrastructure, and healthcare. To this we would add mass consumption in China and India, growing momentum in e-commerce particularly on-line retailing, and several other new technologies.

The Investment Team

Andrew Clifford, the co-founder of Platinum, has done an excellent job in restructuring the analyst teams along industry lines. Together with disciplined reporting, this is providing a sharper focus on prospective investment ideas but at the same time ensuring that there is fluid dissemination of information among the groups, and to the team leaders, in the majority of cases a fund manager. Finding the right balance between teamwork and accountability is always an unseen challenge but with the assistance of detailed performance measurement and pecuniary gain, we are approaching a highly attractive model.

As any organisation grows it needs to make adjustments to its organisational structure in terms of reporting lines and responsibilities. Hitherto the role of managing director and chief investment officer (CIO) had been treated as one, which thanks to a very strong finance director freed us to focus essentially on managing money. However, we felt the time had come to segregate these roles and are delighted that Andrew Clifford has accepted the title of CIO. I should emphasise that Andrew and I have shared these roles since the inception, managing the business and the investment team in an interchangeable manner each seeking input from the other. I suspect this will continue, though in terms of prioritising the work of the analyst teams, there will now be a direct reporting line to Andrew. I will continue to manage the global portfolios for the company. We also acknowledge Jacob Mitchell's outstanding contribution in formalising the processes and user effectiveness of the work done by the quantitative team. Jacob is now the deputy CIO. Without in any way detracting from these significant roles, it is important to emphasise that it is teamwork and generosity of sharing time, ideas and understanding that makes our organisation different. At Platinum the role of analysts and fund manager is largely interchangeable and while we have introduced some titles, a visitor might have difficulty is determining one from the other. We spend our time trying to figure out the best opportunities and this generally entails understanding the counter-argument for our stock picks in markets which the wise might regard as omnipotent.

Investment Team Structure



Costs

Costs have moved up reflecting a small change in staffing numbers and wage drift. In addition, the improved performance has called for us to raise bonuses. As has been highlighted in the past, bonuses can add significantly to the annual salaries of analysts though there is a smoothing that takes account of their recent, as well as their three year, rolling contributions. There is, however, an upward bias to our staffing costs which reflects general wage inflation but in addition, the rise of seniority among our analytical staff. Other costs were relatively well-contained.

Income

Success in signing-up profit sharing investment accounts continues to build our performance fee potential. The proportion of our funds under management (FUM) with performance-related fees is $3.6 billion. Our traditional retail base has remained loyal, though the lure of assured returns from term deposits and cash took its toll. As the year progressed it was clear that investors were gradually changing to a more positive stance regarding investing overseas. This was reinforced by further falls in Australian interest rates and a reversal of the Australian dollar. As I write this letter, it seems that the tide has now turned and investors are being attracted by our good returns and the desire to place more of their funds abroad.

MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS CONTINUED

Fund Under Management ($mn, to 30 June 2013)

FUND	OPENING BALANCE (30 JUNE 2012)	FLOWS	DISTRIBUTION	INVESTMENT PERFORMANCE	CLOSING BALANCE (30 JUNE 2013)
Platinum Trust Funds*	10,589	(676)	(194)	3,451	13,170
MLC Platinum Global Fund	918	(200)	–	310	1,028
Management Fee Mandates	1,568	(145)	–	541	1,964
"Relative" Performance Fee Mandates	1,236	970	(3)	799	3,002
"Absolute" Performance Fee Mandates	558	(137)	–	179	600
TOTAL	14,869	(188)	(197)	5,280	19,764

* Standard investment fee option only i.e. does not include performance fee option which is included in "Relative" Performance Fee Mandates.

Source: Platinum

With performance fees there is a trade-off: the modest flat fee is complemented by a performance component that will share in the degree to which we are able to outperform the benchmark (MSCI Indices). For these fees to give us a yield equivalent to the standard flat fee, Platinum needs to outperform by approximately 5% pa. Our historic outperformance over the last 19 years has averaged approximately 8% pa compound with great variances in between. It is important to note that these performance mandates carry so-called high water marks: in order to earn performance fees we must first recover by approximately 2 to 3% relative to the benchmark across these global mandates (each having its own anniversary date).

Opportunities

It is a fact that stock markets are cyclical; reflecting both changes in corporate profitability and changing valuations attributed to those profits. At present it is even more skewed than usual with Central Banks attempting to mend the problems of earlier careless credit growth by removing the price discovery mechanism of markets by oppressing interest rates. As we often write in our unit holder quarterly reports, this will inevitably lead to misallocation but for the moment, our view is that good progress is being made towards economic recovery.

- The immediate prospect is for higher markets and in particular a slightly more tolerant pricing of neglected companies. This suits Platinum well.
- Having seen a long and strong run in Australian shares, we now believe the tide has turned in favour of overseas markets to offer returns <u>at least as good</u> as those that domestic investors can expect at home. This may be augmented by a weaker Australian dollar.

- The Australian managed fund industry has grown by around 9% pa over the last ten years and with the prospect of the Superannuation Guarantee Levy gradually rising from the current 9.25% to 12%, prospects remain attractive. Importantly, there is a bias towards shares as an asset class with equities accounting for around half of Australian pension fund assets.
- Self-managed super has grown faster than many expected; some 17% compound pa in the last ten years (augmented by 'choice of fund' legislation in 2005 and the contribution concessions of 2007). This is now a pool of A$474 billion, close to one third of A$1.5 trillion of all super in Australia. Currently, one third is in equities and a further 28% in cash or term deposits. According to official estimates and those of Credit Suisse, the national superannuation pool will, under current contribution plans, only enter an age-induced draw-down phase in 2032.

To address these opportunities we continue to support our now long and well-established brand with direct and indirect contact with the Australasian investing public. This will become even more important with the advent of investors being able to trade and clear unit trusts through the Australian Securities Exchange (ASX) that is planned to be launched early in 2014. (On account of the current classification of the Platinum Trust Funds, we may not be able to participate in the opening rounds of these listings but are investigating ways to find our appropriate place as the manager of the largest global unit trust in Australia.)

In addition, we plan to launch some of the Platinum Trust Funds via UCITS (Undertakings for Collective Investment in Transferable Securities). The UCITS structure gives us the ability to raise funds outside of Australia and hence a broadening distribution of our products to global institutional investors.

Apart from direct advertising through traditional media, we are tending to direct more effort to on-line branding. We have also upgraded our web presence with an enhanced mobile-friendly website which you may wish to visit for regular updates in *The Journal* section, the objective of which is investor enlightenment! (www.platinum.com.au)

Having always taken investor service very seriously with person-to-person communications and serious written materials in the form of quarterly reports, we are preparing for greater web impact. This will challenge many and in recognition of the importance of this role and the contribution she has made in building our relationship with the investment advisory community and our direct investors, we have made Elizabeth Norman our director of investor services and communications. Apart from her team of investor services staff, Elizabeth supervises the activities of our dedicated investment specialists, Douglas Isles on the retail side and Andy Grimes on the institutional side.

Douglas has returned to Platinum having spent the last four years with Standard Chartered Bank in Singapore where he had the role of developing their equities broking business. We are particularly delighted to have Douglas back because as a former analyst at Platinum he understands the organisation and its process thoroughly thus enabling him to clearly enunciate and deliver our message to advisers and clients. It is our belief that this role cannot be filled by 'talking heads' and if there is not an applied level of understanding, no credibility can be built between the firm and clients.

As the flow table attests, Andy Grimes has been successfully communicating our message to asset consultants and professional investors. He continues to broaden the search for investors who are attracted to our specific approach to managing their money, both here and abroad. Armed with a good understanding of our process and bolstered by our unusually strong performance record managing funds of size, and which has been achieved over many years in very different market conditions, there is open promise.

Outlook

We thought at this time last year that the markets were moving in favour of our investment approach and this subsequently proved correct. At this juncture, we feel the same. The areas that have seen the most dislocation such as the Eurozone and Japan are looking much brighter. At the same time, some of the emerging markets have taken steps to adjust to weaker support from abroad and may be on the cusp experiencing improved asset prices. As a manager that specialises in markets outside of Australasia, we are quietly confident that we can serve our clients well in the coming year.

Kerr Neilson
Managing Director

FINANCIAL STATEMENTS 2013

PLATINUM ASSET MANAGEMENT LIMITED

SHAREHOLDER INFORMATION

Substantial Shareholders

The following parties notified the Company that they have a substantial relevant interest in ordinary shares of Platinum Asset Management Limited as at 9 August 2013:

	NUMBER OF SHARES	%
J Neilson, K Neilson	323,074,841	57.55
J Clifford, Moya Pty Limited, A Clifford	32,831,449	5.85

Distribution of Securities

(i) DISTRIBUTION SCHEDULE OF HOLDINGS	CLASS OF EQUITY SECURITY ORDINARY
1 – 1,000	3,980
1,001 – 5,000	9,639
5,001 – 10,000	2,034
10,001 – 100,000	1,080
100,001 and over	58
Total number of holders	16,791
(ii) Number of holders of less than a marketable parcel	129
(iii) Percentage held by the 20 largest holders	86.89%

Twenty Largest Shareholders

The names of the 20 largest holders of each class of listed equity securities as at 9 August 2013 are listed below:

	NUMBER OF SHARES	%
Platinum Investment Management Limited (nominee)	215,871,311	37.34
J Neilson	136,250,000	23.57
JP Morgan Nominees Australia Limited	38,297,881	6.62
National Nominees Limited	27,897,976	4.83
HSBC Custody Nominees (Australia) Limited	21,664,430	3.75
Citicorp Nominees Pty Limited	17,599,286	3.04
Jilliby Pty Limited	8,000,000	1.38
JP Morgan Nominees Australia Limited	5,618,410	0.97
BNP Paribas Nominees Pty Limited	5,241,340	0.91
J Clifford	5,000,000	0.86
Charmfair Pty Limited	4,240,694	0.73
RBC Investor Services Australia Nominees	3,478,620	0.60
Charmfair Pty Limited	3,472,269	0.60
Citicorp Nominees Pty Limited	2,368,132	0.41
Xetrov Pty Limited	2,000,000	0.35
BNP Paribas Nominees Pty Limited	1,451,634	0.25
AMP Life Limited	1,067,286	0.18
Jilliby Pty Limited	962,500	0.17
HSBC Custody Nominees (Australia) Limited	953,881	0.17
HSBC Custody Nominees (Australia) Limited	914,297	0.16

SHAREHOLDER INFORMATION
CONTINUED

Voting Rights

Ordinary Shares

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

Other Securities on Issue

The Company has other securities on issue in the form of options. As at 15 August 2013, the Company had issued 8,533,205 options to 7 holders, with each holder being granted over 100,000 options. Further details on the grant of these options are contained in Note 7 of the Notes to the Financial Statements. No voting rights attach to the options, however any ordinary shares that are allotted to the option holders upon exercise will have the same voting rights as all other ordinary shares.

Platinum's Commitment to Carbon Neutrality

Platinum Asset Management remains carbon neutral, having purchased carbon credits to offset its carbon emissions.

Distribution of Annual Report to Shareholders

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

Financial Calendar

Ordinary shares trade ex-dividend	20 August 2013
Record (books close) date for dividend	26 August 2013
Dividend paid	23 September 2013
Annual General Meeting	31 October 2013

These dates are indicative and may be changed.

Questions for the AGM

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

DIRECTORS' REPORT

The Directors present the following 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 2013.

Directors

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

Michael Cole	Chairman and Non-Executive Director
Bruce Coleman	Non-Executive Director
Margaret Towers	Non-Executive Director
Kerr Neilson	Managing Director
Andrew Clifford	Executive Director and Chief Investment Officer (since 8 May 2013)
Elizabeth Norman	Executive Director and Director of Investor Services and Communications (since 8 May 2013)
Philip Howard	Executive Director and Company Secretary

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.

Trading Results

The profit after tax of the consolidated entity for the year was $129,112,000 (2012: $126,378,000) after income tax expense of $54,057,000 (2012: $53,070,000).

Dividends

Since the end of the financial year, the Directors have declared a 14 cents per share fully franked dividend payable to shareholders on 23 September 2013.

A fully franked dividend of 8 cents per share ($44,908,000) was paid on 18 March 2013.

A fully franked dividend of 13 cents per share ($72,975,000) was paid on 21 September 2012.

Review of Operations

The consolidated profit before tax was $183,169,000 (2012: $179,448,000).

Changes in the State of Affairs

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

DIRECTORS' REPORT
CONTINUED

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

Likely Developments and Expected Results of Operations
The Company 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 adversely impacted by any particular or significant environmental regulations under a Commonwealth, State or Territory Law.

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

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

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

	2013 $	2012 $
Audit services – statutory	**283,420**	277,800
Taxation and legal services – compliance	**670,566**	547,720
Taxation services – foreign tax agent	**15,639**	24,146
Other audit and assurance services	**221,799**	13,119
Total	**1,191,424**	862,785

Other audit and assurance services fees increased as a result of greater compliance obligations required to service the Group's investment mandates.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 34.

Information on Directors

Michael Cole BECON, MECON, FFIN

Independent Non-Executive Director, Chairman and member of the Audit, Risk & Compliance and Nomination & Remuneration Committees since 10 April 2007. (Age 65)

Mr Cole has over 35 years experience in the investment banking and funds management industry. He was an Executive Director/Executive Vice President at Bankers Trust Australia for over 10 years. Mr Cole is Chairman of Ironbark Capital Limited and IMB Limited. Mr Cole is the Chairman and Director of Challenger Listed Investments Limited.

Bruce Coleman BSC, BCOM, CA, FFIN

Independent Non-Executive Director, Chair of the Nomination & Remuneration Committee and member of the Audit, Risk & Compliance Committee since 10 April 2007. (Age 63)

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 National Australia Banking groups. Mr Coleman is a Director of Platinum Capital Limited.

DIRECTORS' REPORT
CONTINUED

Margaret Towers CA, GAICD
Independent Non-Executive Director, Chair of the Audit, Risk & Compliance Committee and member of the Nomination & Remuneration Committee since 10 April 2007. (Age 55)

Ms Towers is a Chartered Accountant with over 31 years experience in financial markets. She was formerly an Executive Vice President at Bankers Trust Australia and worked at Price Waterhouse. Ms Towers acts as an independent consultant to a number of Australian Financial Institutions. Ms Towers is a Non-Executive Director of IMB Limited and Opportunity International Australia Limited.

Kerr Neilson BCOM, ASIP
Managing Director since 12 July 1993. (Age 63)

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 in broking and funds management.

Andrew Clifford BCOM (HONS)
Director and Chief Investment Officer since 8 May 2013. (Age 47)

Mr Clifford joined Platinum as a co-founding member in 1994 in the capacity of Deputy Chief Investment Officer. He is a Director of the Platinum Investment Management Limited and Platinum Capital Limited. Previously he was a Vice President at Bankers Trust Australia covering Asian equities and managing the BT Select Market Trust – Pacific Basin Fund. Mr Clifford is a portfolio manager for the Platinum Asia Fund and a sub-manager for the Platinum International Fund.

Elizabeth Norman BA, GRADUATE DIPLOMA IN FINANCIAL PLANNING
Director of Investor Services and Communications since 8 May 2013. (Age 45)

Ms Norman joined Platinum in February 1994 in a role of Investor Services and Communications Manager. Previously she worked at Bankers Trust Australia in product development and within the retail funds management team. Ms Norman's role as a Director of Investor Services and Communications reflects the widening of Platinum's client base and the consolidated entity's greater commitment to supporting retail and institutional clients with dedicated investment specialists.

Philip Howard BCOM, CA
Finance Director and Company Secretary since 31 March 2011. (Age 52)

Mr Howard was also appointed Director of Platinum Investment Management Limited and Platinum Capital Limited on 31 March 2011. Mr Howard has been Platinum's Chief Operating Officer since his appointment to that role in September 2001. Mr Howard is a Chartered Accountant with over 27 years experience in the financial services industry. Prior to Platinum, Mr Howard held senior roles in finance, operations and management with State Street Australia, Bankers Trust Australia and Price Waterhouse, Sydney.

Directors' Meetings

The number of meetings held and attended by the Company's Directors during the year ended 30 June 2013 was as follows.

NAME	BOARD MEETINGS HELD WHILE A DIRECTOR	BOARD MEETINGS ATTENDED	AUDIT, RISK & COMPLIANCE COMMITTEE MEETINGS HELD WHILE A MEMBER	AUDIT, RISK & COMPLIANCE COMMITTEE MEETINGS ATTENDED	NOMINATION & REMUNERATION COMMITTEE MEETINGS HELD WHILE A MEMBER	NOMINATION & REMUNERATION COMMITTEE MEETINGS ATTENDED
Michael Cole	5	5	4	4	4	4
Bruce Coleman	5	4	4	3	4	3
Margaret Towers	5	5	4	4	4	4
Kerr Neilson	5	4	–	–	–	–
Andrew Clifford (appointed 8 May 2013)	2	2	–	–	–	–
Elizabeth Norman (appointed 8 May 2013)	2	2	–	–	–	–
Philip Howard	5	5	–	–	–	–

Remuneration Report (audited)

Summary of remuneration outcomes for 2013

- there has been no increase in base salary paid to any of the Key Management Personnel ("KMP");
- three out of the seven KMP received a bonus in 2013. The increase in bonuses paid to these three KMP was significantly less in percentage terms than the increase in investment returns by the Platinum Trust Funds or the increase in the consolidated entity's Funds Under Management;
- the Managing Director again waived his right to receive a bonus in 2013 and this has been ratified by the Nomination & Remuneration Committee;
- there were no options granted during the year; and
- the increase in the Company's share price above the strike price, meant that employees were able to exercise options that were granted to them in 2007 and 2009.

DIRECTORS' REPORT
CONTINUED

Introduction
The Company's Directors present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and consolidated entity for the year ended 30 June 2013.

The information provided in this Remuneration Report has been audited by the Company's auditor, PricewaterhouseCoopers, as required by section 308 (3C) of the *Corporations Act 2001*.

Key Management Personnel ("KMP")
For the purposes of this report, KMP of the consolidated entity in office at any time during the financial year were:

NAME	POSITION
Michael Cole	Chairman and Non-Executive Director
Bruce Coleman	Non-Executive Director
Margaret Towers	Non-Executive Director
Kerr Neilson	Managing Director
Andrew Clifford	Executive Director and Chief Investment Officer (CIO) (since 8 May 2013)
Elizabeth Norman	Executive Director and Director of Investor Services and Communications (since 8 May 2013)
Philip Howard	Executive Director and Company Secretary

There are no employees that hold a KMP position within the Company or consolidated entity, other than those disclosed above.

Shareholders' Approval of the 2012 Remuneration Report
Following the introduction of the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011*, a 25% or higher "no" vote on the Remuneration Report at an AGM triggers a reporting obligation on a listed company to explain in its next Annual Report how concerns are being addressed.

At the last AGM, the Company received a "no" vote of only 1.34% of the total votes cast at that meeting. Despite this low "no" vote, Platinum has taken the opportunity to fully explain the basis and structure of the remuneration paid to KMP.

Guiding Principles of KMP and Staff Remuneration

Platinum attracts, retains and motivates team members by providing incentives and working conditions that enable them to achieve above-average performance.

Structure of Remuneration for Executives and all Platinum staff

Fixed remuneration in the form of salary and compulsory contributions to superannuation funds. Salaries approximate current market rates and are augmented by performance incentives.

Variable remuneration in the form of performance-based bonuses. Bonuses are discretionary and are paid after assessing individual performance against pre-determined and individually set targets. Bonuses take the form of an annual cash payment and are designed to reward superior performance. The Platinum Group has established two Short-Term Incentive Plans (STIP) that set out the specific criteria used as a basis for paying bonuses.

Short-Term Incentive Plans

There are two short-term variable incentive plans that operate with specific participation determined by whether the employee is a member of the investment analyst team or otherwise. A member of the investment analyst team is defined as anyone that researches stocks and provides stock selection services. The plans are discussed below.

Investment Analyst Plan

Each portfolio manager/analyst has pre-defined weightings set by the Managing Director/CIO and ratified by the Nomination & Remuneration Committee. These weightings are applied to three tiered elements of investment performance within the investment funds of the Platinum Trust.

(a) performance of the main funds, usually the Platinum International Fund and calculated on a one year and three year performance versus the MSCI Index, where performance must be greater than 0% and there are pre-determined relative performance difference hurdles to exceed.

(b) performance of the individual analyst's stocks within the main funds, usually Platinum International Fund or Platinum Asia Fund calculated on a one year and three year relative performance versus the applicable MSCI benchmark and dollars invested, where performance must be greater than 5% above the benchmark and there are pre-determined relative performance difference hurdles to exceed.

DIRECTORS' REPORT
CONTINUED

(c) performance of the analyst's own stocks within a portfolio of stocks calculated on a one year and three year relative performance versus the relative sector benchmark, where performance must be greater than 5% above the benchmark and there are set relative performance difference hurdles to exceed.

General Employee Plan
For all other employees, performance is assessed against pre-determined operational benchmarks relevant to each employee as assessed by the Executives of the Platinum Group and ratified by the Nomination & Remuneration Committee. The bonus pool is dependent upon the overall performance of the consolidated entity during the year.

Impact of these Plans on the Executives
The bonus of Andrew Clifford was determined according to the Investment Analyst Plan. The bonuses of Elizabeth Norman and Philip Howard were determined according to the General Employee Plan.

Kerr Neilson continues to waive his right to receive a bonus. This has been ratified by the Nomination & Remuneration Committee.

Long-Term Incentive Plans
The Platinum Group has two long-term incentive plans in place, which are discussed below.

Options and Performance Rights Plan (OPRP)
In 2007, the Platinum Group established an Options and Performance Rights Plan (OPRP). Options were only granted to certain highly skilled staff based on their specific and unique skill set within the funds management industry. Performance rights were also granted to staff members. The purpose of the OPRP was to provide these staff members with an incentive to remain at Platinum for the duration of the vesting period of four years continuous employment from the date the options and performance rights were granted.

Should a staff member cease employment at any time prior to the vesting of these options or performance rights, then all options or performance rights granted are cancelled.

All options have a four year vesting period, and once vested, have a two year exercise period. Options were granted to staff under this plan in 2007 and 2009. All options (net of forfeitures) that were granted in 2007 were exercised between 14 May 2013 and 22 May 2013. 16,547,817 new ordinary shares were issued pursuant to the 2007 grant. Philip Howard was the only KMP to exercise options during the year, whilst being employed as a KMP.

A total of 8,783,205 new options were granted to certain staff in June 2009. All of these options vested on 17 June 2013. At 30 June 2013, one staff member partially exercised their options resulting in the issue of 250,000 new shares. No KMP exercised options in relation to the 2009 grant.

No performance rights have been granted since 2007 and no options have been granted since 2009.

The strike price for the 2007 grant was $5 per option. The strike price for the 2009 grant was $4.50 per option. The consolidated entity does not provide loans to any KMP or staff member to exercise their options. In addition, no KMP have margin loans secured over the Company's shares. The strike price for the performance rights was $nil. No KMP has ever received performance rights.

KMP do not receive and have never received any dividends on unvested or unexercised options.

No terms of the OPRP have been changed or modified during the reporting period.

Fund Appreciation Rights Plan (FARP)

The Group established a Fund Appreciation Rights Plan (FARP) on 1 April 2009 to assist with the retention and motivation of the Group's investment analysts. Under the FARP, short-term incentives over a limit of approximately 200% of base pay may be converted to notional investments in Platinum Trust Funds that are intended to align the interest of the analyst with the shareholder in deriving greater value over time. The operation of the FARP is explained in Note 7(b).

Andrew Clifford is eligible to participate in the FARP, but has never had any Fund Appreciation Rights granted to him.

DIRECTORS' REPORT
CONTINUED

Actual Remuneration Outcomes for Executives

The table below presents the remuneration received by the Executives of the consolidated entity.

The actual remuneration received are not based on the disclosure requirements of the accounting standards.

NAME	CASH SALARY $	SUPER-ANNUATION(1) $	SHORT-TERM INCENTIVES BONUS $	CONSIDERATION RECEIVED FOR THE EXERCISE OF OPTIONS(2) $	TOTAL $
Kerr Neilson					
FY 2013(3)	400,000	16,470	–	–	416,470
FY 2012(3)	400,000	15,775	–	–	415,775
Andrew Clifford (appointed 8 May 2013)					
FY 2013(4)	350,000	16,470	350,000	–	716,470
FY 2012	350,000	15,775	170,000	–	535,775
Elizabeth Norman (appointed 8 May 2013)					
FY 2013(4)	32,500	2,745	245,000	–	280,245
FY 2012	–	–	–	–	–
Philip Howard					
FY 2013	400,000	16,470	257,500	143,396	817,366
FY 2012	400,000	15,775	244,000	–	659,775
Total remuneration					
FY 2013	1,182,500	52,155	852,500	143,396	2,230,551
FY 2012	1,150,000	47,325	414,000	–	1,611,325

(1) Amounts relate to the mandatory superannuation guarantee charge.
(2) See the Long-Term Incentive Plan section above for further details. Philip Howard was the only Executive to exercise options during the year. He received consideration of $143,396. No Executive received new options or Fund Appreciation Rights in 2013 (or 2012).
(3) The Managing Director, Kerr Neilson, waived his right to receive a bonus and this has been ratified by the Nomination & Remuneration Committee.
(4) For 2013 Elizabeth Norman's remuneration has been disclosed as $280,245 as this represents what she was paid for the period 8 May 2013 to 30 June 2013. Andrew Clifford's remuneration has been disclosed for the period 1 July 2012 and 30 June 2013, because Andrew Clifford was a KMP for the full financial year.

Details of remuneration of Executives presented in accordance with accounting standards

The table below presents the remuneration provided by the consolidated entity to the Executives of the consolidated entity, in accordance with accounting standards.

NAME	CASH SALARY $	OTHER[1] $	SHORT-TERM INCENTIVES BONUS[2] $	POST-EMPLOYMENT BENEFITS SUPER-ANNUATION $	SHARE-BASED PAYMENTS[3] $	TOTAL $
Kerr Neilson						
FY 2013[4]	400,000	23,062	–	16,470	–	439,532
FY 2012[4]	400,000	32,287	–	15,775	–	448,062
Andrew Clifford (appointed 8 May 2013)						
FY 2013[5]	350,000	19,884	350,000	16,470	1,049,976	1,786,330
FY 2012	350,000	(527)	170,000	15,775	1,091,795	1,627,043
Elizabeth Norman (appointed 8 May 2013)						
FY 2013[5]	32,500	29,447	245,000	2,745	292,547	602,239
FY 2012	–	–	–	–	–	–
Philip Howard						
FY 2013	400,000	52,833	257,500	16,470	234,038	960,841
FY 2012	400,000	20,039	244,000	15,775	243,359	923,173
Total remuneration						
FY 2013	1,182,500	125,226	852,500	52,155	1,576,561	3,788,942
FY 2012	1,150,000	51,799	414,000	47,325	1,335,154	2,998,278

(1) Represents the increase/(decrease) in the accounting provision for annual and long service leave. These amounts were not received by the Executives and represent provisions made in the consolidated entity's Balance Sheet.

(2) See the Short-Term Incentive Plan note above for further details.

(3) See the Long-Term Incentive Plan note above for further details. Relates to instances where the options vest over a number of years and some of the vesting period fell in 2013. Under the accounting standards, there is a requirement to show the portion of the expense relating to 2013. The amount expensed for accounting purposes does not represent the cash amount received. The only Executive to physically receive consideration in relation to options was Philip Howard, who received consideration of $143,396 for exercising his 2007 options.

No options or Fund Appreciation Rights were granted to any of the Executives during the year, or since year end.

(4) The Managing Director, Kerr Neilson, waived his right to receive a bonus and this has been ratified by the Nomination & Remuneration Committee.

(5) For 2013 Elizabeth Norman's remuneration under accounting standards has been disclosed as $602,239 as this represents what she was paid, or provided for, for the period 8 May 2013 to 30 June 2013. Andrew Clifford's remuneration has been disclosed for the period 1 July 2012 and 30 June 2013, because Andrew Clifford was a KMP for the full financial year.

DIRECTORS' REPORT
CONTINUED

Components of Remuneration

The table below illustrates the relative proportions of fixed and variable remuneration as a percentage of total remuneration extrapolated from the "Details of remuneration of Executives presented in accordance with accounting standards" table on page 27. We have included as part of "variable remuneration", the accounting cost relating to share-based payments as per the requirements prescribed in the *Corporations Law Regulations*.

NAME	FIXED REMUNERATION AS A PERCENTAGE OF TOTAL REMUNERATION(1)	VARIABLE REMUNERATION AS A PERCENTAGE OF TOTAL REMUNERATION(2)
Kerr Neilson		
FY 2013	100%	0%
FY 2012	100%	0%
Andrew Clifford		
FY 2013	22%	78%
FY 2012	22%	78%
Elizabeth Norman		
FY 2013	11%	89%
FY 2012	–	–
Philip Howard		
FY 2013	43%	57%
FY 2012	47%	53%

(1) Fixed remuneration refers to salary, superannuation and provisions made for annual and long service leave.

(2) Variable remuneration refers to bonuses, amounts received from the exercise of options and the accounting fair value expense relating to share-based payments.

Options and Performance Rights Plan (OPRP)

The table below provides details of options that were granted to the Executives in 2007 and/or 2009 and details about any options that have vested or have been exercised.

NAME	GRANT DATE	NUMBER OF OPTIONS GRANTED	FAIR VALUE PER OPTION (ROUNDED) ($)	FAIR VALUE AT GRANT DATE(1) ($)	VESTING DATE	EXPIRY DATE	NUMBER OF OPTIONS VESTED AND UNEXER-CISED	NUMBER OF OPTIONS EXERCISED	ACCOUNT-ING EXPENSE(2) ($)
Kerr Neilson	N/A	Nil	Nil	Nil	N/A	N/A	Nil	Nil	Nil
Andrew Clifford	17/06/09	3,844,350	1.14	4,367,181	17/06/2013	17/06/2015	3,844,350	Nil	1,049,976
Elizabeth Norman	17/06/09	1,071,123	1.14	1,216,796	17/06/2013	17/06/2015	1,071,123	Nil	292,547
Philip Howard	22/05/07	841,500	0.82	688,263	22/05/2011	22/05/2013	Nil	841,500	Nil
	17/06/09	856,898	1.14	973,436	17/06/2013	17/06/2015	856,898	Nil	234,038
Vested and exercised				688,263			N/A	841,500	
Vested and unexercised				6,557,413			5,772,371		
Outstanding (unvested)				Nil			Nil		

(1) Independently determined using an appropriate option pricing model, in accordance with AASB 2: *Share-Based Payments*. For further details, refer to accounting policy Note 1(m).

(2) Relates to instances where the options vest over a number of years and some of the vesting period fell in 2013. Under the accounting standards, there is a requirement to show the portion of the expense relating to 2013. The amount expensed for accounting purposes does not represent the amount received by the Executives during the year. The only Executive to exercise options and physically receive consideration in relation to options, whilst being employed as a KMP, was Philip Howard, who received consideration of $143,396.

No options or Fund Appreciation Rights were granted to any of the Executives during the year, or since balance date.

DIRECTORS' REPORT
CONTINUED

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

The aggregate amount of remuneration that can be paid to the Non-Executive Directors, which was approved by shareholders at a general meeting in April 2007, is $2 million per annum (including superannuation).

The Executive-Directors determine the remuneration of the Non-Executive Directors within the maximum approved shareholder limit. The Non-Executive Directors are not entitled to any other remuneration.

Principles, Policy and Components of Non-Executive Directors' Remuneration
Remuneration paid to the Non-Executive Directors is designed to ensure that the Company can attract and retain suitably-qualified and experienced directors. It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Non-Executive Directors. Non-Executive Directors received a fixed fee and mandatory superannuation payments that are made in accordance with legislative requirements. Non-Executive Directors do not receive performance-based or earnings-based remuneration and are not eligible to participate in any equity-based incentive plans. The Executive Directors examine the base pay of the Non-Executive Directors annually and may utilise the services of an external advisor.

No other retirement benefits (other than mandatory superannuation) are provided to the Non-Executive Directors. There are no termination payments payable on the cessation of office and any Director may retire or resign from the Board, or be removed by a resolution of shareholders.

Remuneration for Non-Executive Directors

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

NAME	CASH SALARY $	SUPER-ANNUATION $	SHORT-TERM INCENTIVES $	LONG-TERM INCENTIVES $	TOTAL
Michael Cole					
FY 2013	200,000	15,775	–	–	215,775
FY 2012	200,000	15,775	–	–	215,775
Margaret Towers					
FY 2013	175,000	15,775	–	–	190,775
FY 2012	175,000	15,775	–	–	190,775
Bruce Coleman					
FY 2013	175,000	15,775	–	–	190,775
FY 2012	175,000	15,775	–	–	190,775
Total Non-Executive remuneration					
FY 2013	550,000	47,325	–	–	597,325
FY 2012	550,000	47,325	–	–	597,325

Employment Arrangements

The key aspects of the KMP contracts are outlined below:

- Remuneration and other terms of employment for Non-Executive Directors are formalised in service agreements. Remuneration and other terms of employment for Executives are formalised in employment contracts with Platinum Investment Management Limited.
- All contracts (both Executive and Non-Executive) include the components of remuneration that are to be paid to KMP and provide for annual review, but do not prescribe how remuneration levels are to be modified from year to year.
- Each contract is for an unlimited duration. The tenure of all Directors is subject to approval by shareholders at every third AGM or other general meeting convened for the purposes of election of Directors.
- In the event of termination, all KMP are entitled to receive their statutory leave entitlements and superannuation benefits. In relation to incentive plans, upon termination, where an Executive resigns, short-term incentives are only paid if the Executive is employed at the date of payment. The Board retains discretion to make pro-rated short-term incentive payments in special circumstances, such as retirement.

DIRECTORS' REPORT
CONTINUED

Link between performance and remuneration paid by the consolidated entity

	2013	2012	2011	2010	2009
Revenue ($'000)	232,152	226,727	264,619	248,355	219,484
Expenses ($'000)	48,983	47,279	50,863	49,963	38,072
Operating profit after tax ($'000)	129,112	126,378	150,059	136,852	126,145
Basic earnings per share (cents per share)	22.92	22.51	26.73	24.39	22.49
Dividends (cents per share)	22	21	25	22	20
Closing share price ($) (30 June)	5.47	3.89	4.12	4.68	4.12
Total aggregate fixed remuneration paid ($)(1)	1,831,980	1,794,650	1,845,820	1,736,766	1,732,469
Total aggregate variable remuneration paid ($)(2)(3)	995,896	414,000	434,500	630,000	–

(1) Aggregate fixed remuneration refers to the aggregate total of salaries and superannuation paid to all Executive and Non-Executive Directors. Included in the aggregate fixed remuneration paid for 2009 to 2011 is remuneration paid to Malcolm Halstead, who retired as a Director in March 2011.

(2) Total aggregate variable remuneration paid includes short-term incentives and amounts received for the exercise of options, but excludes the accounting fair value cost relating to share-based payments. Total aggregate fixed and variable remuneration paid is higher in 2013 because new Directors were appointed in May 2013.

(3) No variable compensation was paid prior to 2010 as the Investment Analyst Plan was only established in 2010.

Interests of Non-Executive and Executive Directors in shares

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

	2013 QUANTITY
Michael Cole	300,000
Bruce Coleman	200,000
Margaret Towers	20,000
Kerr Neilson	322,074,841
Andrew Clifford	32,831,449
Elizabeth Norman	766,748
Philip Howard	104,281

No Director bought or sold shares during the year.

Directors' Interests in Contracts

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

Directors' Insurance

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

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

Michael Cole
Chairman

Kerr Neilson
Director

Sydney, 15 August 2013

AUDITOR'S INDEPENDENCE DECLARATION

As lead Auditor for the audit of Platinum Asset Management Limited and its controlled entities for the year ended 30 June 2013, 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.

A J Loveridge

A J Loveridge
Partner
PricewaterhouseCoopers

Sydney, 15 August 2013

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement provides a summary of the main corporate governance practices adopted by the Board, and exercised throughout the year, for Platinum Asset Management Limited ABN 13 050 064 287 (the "Company").

The Company has followed the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* ("Governance Principles"), except where indicated.

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

The Company and its controlled entities together are referred to as "the Group" in this Statement.

1. The Board of Directors

Members: M Cole (Chair), B Coleman, M Towers, K Neilson, A Clifford, E Norman and P Howard.

The Board has adopted a Charter that 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 the 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:

- considering and approving the strategy of the Company;
- monitoring the performance and financial position of the Company;
- overseeing the integrity of the Group's financial accounts and reporting;
- monitoring for significant risks to the Company;
- appointing and reviewing the performance of the Managing Director;
- appointing the Chair and Board Committee members;
- assessing the performance of Management and itself;
- reviewing the operations and findings of the Company's risk management, compliance and control frameworks;
- monitoring the Company's compliance with regulatory, legal and ethical standards;

CORPORATE GOVERNANCE STATEMENT
CONTINUED

- considering the diversity in the workplace; and
- considering and approving key policies of the Company (including the Business Rules of Conduct).

1.3 Structure of the Board

The Board currently comprises seven Directors: three Non-Executive Directors (M Cole, B Coleman and M Towers) and four Executive Directors (K Neilson, A Clifford, E Norman and P Howard).

Details on the background, experience and professional skills of each Director are set out on pages 19 to 21 of the Directors' Report.

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

The Chair is responsible for leading the Board, ensuring that the Board's activities are organised and efficiently conducted and 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 to the Board under its Charter, and which are required for the management and operation of the Company, are conferred on the Managing Director.

Questions and resolutions arising at a Board meeting shall be decided by a majority of votes of Executive and Non-Executive Directors present and voting. Further, should all Executive Directors vote in agreement with each other (exercising their majority on the Board), that resolution will only be carried with the support of the majority of Non-Executive Directors. Any such decision shall be taken to be a decision of all Directors.

1.4 Director Independence

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

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

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

Each Director may from time to time have personal dealings with the Company. Each Director is involved with other companies or professional firms that may from time to time have dealings with the Company.

Details of offices held by Directors with other organisations are set out on pages 19 to 21 of the Directors' Report. Full details of related party dealings are set out in the notes to the Company's accounts as required by law.

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

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

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

If a Director's independent status changes, this will be disclosed and explained to the market in a timely manner and in consideration of the Company's Communications Plan.

Materiality

The Board determines 'materiality' on both a quantitative and qualitative basis. An item that either 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

CORPORATE GOVERNANCE STATEMENT
CONTINUED

the Company's net profit before tax is likely to be material. However, these quantitative measures must be supplemented with a qualitative examination. The facts (at the time) and the context in which the item arises will influence the determination of materiality.

1.5 Selection and Appointment of Directors
Recommendation 2.4 of the Governance Principles provides that '[t]he Board should establish a nomination committee'.

The Remuneration Committee changed its name to the Nomination & Remuneration Committee on 8 May 2013 and, oversees the composition of the Board and assesses the performance of Directors.

When evaluating, selecting and appointing Directors, the Nomination & Remuneration Committee considers amongst other things:

– 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 or equal balance on the Board; and
– requirements of the *Corporations Act 2001*, ASX Listing Rules, the Company's Constitution and Board Policy.

The Nomination & Remuneration Committee seeks to ensure that:

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

Under the terms of the Company's Constitution:
– an election of Directors must be held at each Annual General Meeting 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 Annual General Meeting following his/her last election.

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

1.6 Access to Information and Independent Advice
All Directors have unrestricted access to records and information of the Group.

Non-Executive Directors receive regular updates and reports from Management.

The Board of Directors' Charter provides that the Directors may (in connection with their duties and responsibilities) seek independent professional advice at the Company's expense, after first notifying the Board. The Board will review the estimated costs for reasonableness, but will not impede the seeking of advice.

1.7 Performance Assessment
The Board 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.

These assessments were undertaken.

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 (from time to time) to deal with matters of special importance.

Each Committee operates under an approved Charter.

2.1 Audit, Risk & Compliance Committee
Members: M Towers (Chair), M Cole and B Coleman.

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

CORPORATE GOVERNANCE STATEMENT
CONTINUED

- review any significant compliance issues affecting the Company and monitor actions taken by Management;
- ensure a risk management framework is in place to ensure (as far as reasonably practicable) significant risks to the Company are identified, evaluated, treated, monitored and reported;
- 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.

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

The Audit, Risk & Compliance 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.

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

Attendance at Committee meetings is provided in the Directors' Report on page 21.

2.2 Nomination & Remuneration Committee
Members: B Coleman (Chair), M Cole and M Towers.

The Committee advises the Board on remuneration and incentive policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors. The role of the Committee is also to oversee the composition of the Board and assess the performance of Directors.

Members of the 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.

Attendance at the Nomination & Remuneration Committee meetings is provided in the Directors' Report on page 21.

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 law or ASX Listing Rules.

Remuneration for Non-Executive Directors must not exceed in aggregate a maximum sum that shareholders fix in a 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 2012/2013 reporting year is set out on pages 21 to 32 of the Directors' Report.

3. Company Auditor

The policy of the Board is to appoint an Auditor that clearly demonstrates competence and independence.

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

PricewaterhouseCoopers was appointed as Auditor in 2007. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

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

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

4. Company Policies

4.1 Directors' Code of Conduct

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

4.2 Trading in Company Securities

All Directors and staff of the Group must comply with the Company's 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 1 January (each year) until the next business day following the Analyst Briefing. The Analyst Briefing typically occurs on the next business day following the announcement of the half-yearly financial results of the Company to the ASX (*usually around mid-February each year*);
- from 1 July (each year) until the next business day following the Analyst Briefing. The Analyst Briefing typically occurs on the next business day following the announcement of the annual financial results of the Company to the ASX (*usually around mid-August each year*); and
- during any other black-out period (as notified).

Directors and staff are prohibited from entering into transactions in associated products that operate to limit the economic risk of holding Platinum Asset Management Limited shares over unvested entitlements.

4.3 Financial Reporting

In respect of the year ended 30 June 2013, 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 the 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 that implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

4.4 Continuous Disclosure

The Board is committed to:

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

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

4.5 Shareholder Communication

The Board has adopted a Communications Plan that 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, Annual General Meeting, Half-Yearly Financial Report and monthly notices to the ASX.

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

CORPORATE GOVERNANCE STATEMENT
CONTINUED

4.6 Risk Management and Compliance
The Board, through the Audit, Risk & Compliance 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 ISO 31000:2009 *Risk Management – Principles and Guidelines* 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 laws (applicable to the Company) and the Group's policies (including Business Rules of Conduct) is communicated and demonstrated.

Management reports periodically to the Audit, Risk & Compliance Committee and the Board on the effectiveness of the Group's risk management and compliance frameworks.

4.7 Business Rules of Conduct
Platinum's Business Rules of Conduct ("BROC") apply to all applicable staff of the Group. They communicate the appropriate standards of behaviour, provide a framework for the workplace, and inform 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. All employees are required to sign an annual declaration confirming their compliance with the BROC and the Group's policies.

4.8 Diversity

The Company promotes a culture of equal opportunity and has the principles of meritocracy, fairness, equality and contribution to commercial success at all levels within the Company. The Company recognises and values the blend of skills, perspectives, styles and attitudes available to the Company through a diverse workforce. Different perspectives in the investment selection process and stronger problem-solving capabilities flow from a diverse workforce.

Workplace diversity in this context includes, but is not limited to, gender, age, ethnicity and cultural background.

Workplace flexibility involves developing people management strategies that accommodate differences in background, perspectives and family responsibilities of staff.

The Board has developed the following objectives:

- to provide maximum flexibility to all staff members;
- to include in the interview process for vacant positions at Platinum Asset Management, a diversified group (including gender diversity) of staff;
- to include in the interview process for vacant positions on the Company Board, a diversified group of Board members;
- to utilise recruitment firms that have in place a written diversity policy with respect to their hiring practices that demonstrates their ongoing commitment to meeting our diversity objectives;
- to provide training opportunities with the aim of bringing through the underlying potential of staff;
- to review annually salaries for pay equity and against prevailing market benchmarks for existing and new staff;
- to assess annually these objectives and the progress toward achieving them through Board review; and
- to establish a diversity committee comprising representatives from each business area. The diversity committee will meet periodically. The diversity committee will monitor progress on Board-recommended diversity strategies and make recommendations to the Board for further diversity opportunities at least annually. The diversity committee will review this policy annually.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

4.9 Diversity Statistics

DIVERSITY CRITERIA	PLATINUM (%)	AUSTRALIA (%)
Women on the Board	28.6 (2 of 7)	15.7[1]
Women in senior executive positions	25 (1 of 4)	9.7[2]
Women in the workforce	33.3 (25 of 75)	45.7[3]
Women in line roles	20.0 (3 of 15)	6.0[4]
Women employed on a part-time basis	48.0 (12 of 25)	46.1[5]
Workforce over 55 years of age	5.3 (4 of 75)	17.3[6]
Workforce made up of people born outside of Australia	41.3 (31 of 75)	27.7[7]
Workforce made up of people with tertiary qualifications	81.3 (61 of 75)	28.1[8]
Workforce made up of people identified as Aboriginal or Torres Strait Islander people	0.0 (0 of 75)	1.8[9]

(1) Australian Institute of Company Directors, May 2013
(2) Equal Opportunity for Women in the Workplace Agency ("EOWA"), Australian Census of Women in Leadership 2012, Women Executive Key Management Personnel
(3) Workplace Gender Equality Agency ("WGEA"), Gender workplace statistics at a glance, April 2013
(4) EOWA, Australian Census of Women in Leadership 2012
(5) WGEA, Gender workplace statistics at a glance, April 2013
(6) Australian Bureau of Statistics ("ABS"), Cat. 6291.0.55.001, Labour Force, Australia, Apr 2013
(7) ABS, Cat. 6291.0.55.001 – Labour Force, Australia, Apr 2013
(8) ABS, Cat. 6227.0, Education and Work, Australia, May 2012
(9) ABS Cat 4704.0 The Health & Welfare of Aust. Aboriginal and Torres Strait Islander people 2008

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2013 $'000	2012 $'000
Revenue			
Management fees		**205,491**	204,133
Performance fees		**4,994**	247
Administration fees	22(c)	**10,492**	10,627
Total revenue		**220,977**	215,007
Other income (including investment gains and losses)			
Interest		**9,594**	11,891
Net (losses) on financial assets at fair value through profit or loss		**(775)**	(280)
Net gains/(losses) on foreign currency contracts		**(29)**	4
Net gains on foreign currency bank accounts		**2,352**	70
Other investments		**33**	35
Total other income		**11,175**	11,720
Total gross income		**232,152**	226,727
Expenses			
Staff		**23,849**	20,748
Custody and unit registry		**10,691**	10,476
Share-based payments	7	**3,503**	3,205
Business development		**2,962**	4,264
Rent and other occupancy		**1,632**	1,598
Technology		**1,534**	1,633
Research		**1,268**	1,467
Other professional		**651**	639
Depreciation		**635**	580
Legal and compliance		**623**	470
Miscellaneous		**478**	381
Share registry		**407**	383
Mail house and periodic reporting		**361**	375
Statutory audit fee	18	**283**	278
Good value claims		**106**	782
Total expenses		**48,983**	47,279
Profit before income tax expense		**183,169**	179,448
Income tax expense	3(a)	**54,057**	53,070
Profit after income tax expense		**129,112**	126,378
Other comprehensive income		**–**	–
Total comprehensive income for the year		**129,112**	126,378
Basic earnings per share (cents per share)	9	**22.92**	22.51
Diluted earnings per share (cents per share)	9	**22.58**	22.51

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

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2013

	NOTE	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	13(a)	**24,052**	11,879
Financial assets at fair value through profit or loss	2	**2,144**	1,882
Term deposits		**308,313**	225,713
Trade receivables		**24,919**	18,645
Interest receivable		**2,499**	2,620
Prepayments		**1,275**	865
Total current assets		**363,202**	261,604
Non-current assets			
Net deferred tax assets	3(b)	**94**	911
Fixed assets	4	**2,727**	2,318
Total non-current assets		**2,821**	3,229
Total assets		**366,023**	264,833
Current liabilities			
Payables	5	**5,099**	4,706
Current tax payable		**14,429**	11,431
Provisions	6	**2,421**	2,179
Total current liabilities		**21,949**	18,316
Non-current liabilities			
Provisions	6	**–**	18
Total non-current liabilities		**–**	18
Total liabilities		**21,949**	18,334
Net assets		**344,074**	246,499
Equity			
Contributed equity	8(a)	**712,955**	629,091
Reserves	8(b)	**(562,146)**	(564,628)
		150,809	64,463
Retained profits	10	**193,265**	182,036
Total equity		**344,074**	246,499

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	CONTRIBUTED EQUITY $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL $'000
Balance at 30 June 2011		**629,091**	**(567,151)**	**184,768**	**246,708**
Total comprehensive income for the year		–	–	126,378	126,378
Transactions with equity holders in their capacity as equity owners:					
Share-based payments	8(b)	–	2,523	–	2,523
Dividends paid	11	–	–	(129,110)	(129,110)
Balance at 30 June 2012		**629,091**	**(564,628)**	**182,036**	**246,499**
Total comprehensive income for the year		–	–	129,112	129,112
Transactions with equity holders in their capacity as equity owners:					
Exercise of options	8(a)	83,864	–	–	83,864
Share-based payments reserve	8(b)	–	2,482	–	2,482
Dividends paid	11	–	–	(117,883)	(117,883)
Balance at 30 June 2013		**712,955**	**(562,146)**	**193,265**	**344,074**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2013 $'000	2012 $'000
Cash flow from operating activities			
Interest received		**9,715**	11,095
Receipts from operating activities		**214,659**	217,524
Payments for operating activities		**(45,617)**	(44,185)
Income taxes paid		**(50,241)**	(56,385)
Cash flow from operating activities	13(b)	**128,516**	128,049
Cash flow from investing activities			
Proceeds on maturity of term deposits		**448,725**	198,625
Purchases of term deposits		**(531,325)**	(423,525)
Receipts from sale of financial assets		**1,260**	8,417
Payments for purchases of financial assets		**(2,095)**	(3,085)
Purchase of fixed assets		**(1,070)**	(486)
Distributions received		**34**	132
Cash flow from investing activities		**(84,471)**	(219,922)
Cash flow from financing activities			
Dividends paid		**(117,859)**	(129,057)
Receipts from the issue of shares	8(a)	**83,864**	–
Cash flow from financing activities		**(33,995)**	(129,057)
Net increase/(decrease) in cash and cash equivalents		**10,050**	(220,930)
Cash and cash equivalents held at the beginning of the financial year		**11,879**	232,761
Effects of exchange rate changes on cash and cash equivalents		**2,123**	48
Cash and cash equivalents held at the end of the financial year	13(a)	**24,052**	11,879

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

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 comprises the financial statements of Platinum Asset Management Limited as a consolidated entity, which consists of Platinum Asset Management Limited and its subsidiaries. The *Corporations Amendment (Corporate Reporting Reform) Act 2010* provides entities that present consolidated financial statements with the option of not having to present separate parent entity financial statements (and instead present key financial disclosures relating to the parent entity in a separate note to the accounts). The parent entity financial disclosures have been prepared based on the same accounting policies used to prepare the consolidated financial report, with the exception of investments in subsidiaries. The financial report was authorised for issue by the Directors of the Company on 15 August 2013. The Directors have the power to amend the financial statements after issue.

(a) Basis of Preparation of Financial Statements

The general purpose financial statements have been prepared in accordance with the requirements of the Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

The financial statements have been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements also comply with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Critical accounting estimates

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the consolidated entity's accounting policies, which are included on the following page.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2013

1. Summary of Significant Accounting Policies CONTINUED

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Platinum Asset Management Limited (the "Company") and the results of all controlled entities for the year ended 30 June 2013. 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Comprehensive Income and Balance Sheet. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group's policy is to treat transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling 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 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 unused tax losses.

1. Summary of Significant Accounting Policies CONTINUED

(c) Income Tax CONTINUED

Under AASB 112: *Income Taxes*, deferred tax balances are determined using the Balance Sheet method that calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Balance Sheet and their associated tax bases. Deferred tax assets are recognised as deductible temporary differences, if it is probable that future taxable amounts will be available to utilise those temporary differences.

Tax Consolidation Legislation

In accordance with the (Australian) *Income Tax Assessment Act 1997*, Platinum Asset Management Limited is the head entity of the tax consolidated group that includes Platinum Asset Management Limited, Platinum Asset Pty Limited, Platinum Investment Management Limited and McRae Pty Limited.

Any current tax liabilities of the consolidated group are accounted for by Platinum Asset Management Limited. Current tax expense and deferred tax assets and liabilities are determined on a consolidated basis and recognised by the consolidated entity. In June 2010, the Australian Taxation Office declared that the consolidated group is an Offshore Banking Unit (OBU) under Australian Taxation Law. This allows the consolidated group to apply a concessional tax rate of 10% to net income it derives offshore. The concession was applied from 1 July 2010.

(d) Financial Assets and Liabilities at Fair Value through Profit or Loss

Under AASB 139: *Financial Instruments: Recognition and Measurement*, investments are classified in the Balance Sheet as "financial assets at fair value through profit or loss". These financial assets comprise investments in unlisted related party unit trusts and are recognised at fair value.

In accordance with Australian Accounting Standards, derivative financial instruments are categorised as "financial assets/liabilities held for trading" and are accounted for at fair value with changes to such values recognised through the Statement of Comprehensive Income in the period in which they arise. Short futures are valued based on quoted "ask" prices. Gains and losses arising from changes in the fair value of the financial assets/liabilities are included in the Statement of Comprehensive Income in the period they arise. An assessment is made at the end of each reporting period as to whether there is objective evidence that an investment is impaired.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2013

1. Summary of Significant Accounting Policies CONTINUED

(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 on purchases of financial assets at fair value through profit or loss are expensed as incurred.

(f) Foreign Currency Translation

The functional and presentation currency of the consolidated entity in accordance with AASB 121: *The Effects of Changes in Foreign Exchange Rates* is the Australian dollar.

Transactions denominated in foreign currencies are translated into Australian currency at the rates of exchange prevailing on the date of the transaction. Foreign currency assets and liabilities existing at balance date are translated at 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 included as part of operating income and are recognised as they are earned. The majority of management fees are derived from the Platinum Trust Funds. This fee is calculated at 1.44% per annum (GST inclusive) of each Fund's daily Net Asset Value and is payable monthly. A Performance fee is recognised as income at the end of the fee period to which it relates, when the Group's entitlement to the fee becomes certain. Refer to Note 19(a) for further information.

Interest Income

Interest income is recognised in the Statement of Comprehensive Income and is based on the nominated interest rate available on the bank accounts and term deposits held.

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.

1. Summary of Significant Accounting Policies CONTINUED

(i) Cash and Cash Equivalents

In accordance with AASB 107: *Statement of Cash Flows*, cash includes deposits at call and cash at bank that are used to meet short-term cash requirements and cash held in margin accounts. Cash equivalents include short-term deposits of 3 months or less from the date of acquisition that are readily convertible into cash. Cash and cash equivalents at the end of the financial year, as shown in the Statement of Cash Flows, are reconciled to the related item in the Balance Sheet.

At 30 June 2013, nearly all of the Group's term deposits have maturities of more than three months from the date of acquisition with the majority of term deposits having a maturity of six months from the date acquisition. Under AASB 107, deposits that have maturities of more than 3 months from the date of acquisition are not included as part of "cash and cash equivalents" and have been disclosed separately in the Balance Sheet. All term deposits are held with licensed Australian banks.

Receipts from operating activities include management, administration and performance fees receipts. Payments for operating activities include payments to suppliers and employees.

During the year, the consolidated entity received proceeds from the issue of new shares in the Company. The issue of shares was a result of employees exercising options pursuant to the Options and Performance Rights Plan (OPRP). These have been disclosed in the Statement of Cash Flows. See Note 7 for further details.

(j) Receivables

All receivables are recognised when a right to receive payment is established. Trade receivables are predominantly comprised of management and performance fees earned, but not received, at balance date. Any debts that are known to be uncollectible are written off.

(k) Payables

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

(l) Provision for Employee Entitlements

Provision for employee entitlements to salaries, salary-related costs, annual leave and sick leave are accrued at nominal amounts calculated on the basis of current salary rates. Provision for long service leave that are not to be paid or settled within 12 months of balance date, are accrued at the present values of future payments. 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 2013

1. Summary of Significant Accounting Policies CONTINUED

(m) Share-Based Payments

The Group operates share-based remuneration plans that may include the granting of options and performance rights. The Group also operates a Fund Appreciation Rights Plan (FARP) whereby it purchases shares in Platinum Asset Management Limited on behalf of employees, if the employee satisfies, principally, a time-based vesting condition. The value of shares purchased under the FARP will be equivalent to a notional current market value in the Platinum Trust Funds, notionally allocated to employees and adjusted for the accumulated performance of the Funds over the vesting period.

Options, performance rights or fund appreciation rights are granted to some employees of the Company's operating subsidiary, Platinum Investment Management Limited.

Details relating to share-based payments are set out in Note 7.

AASB 2: *Share-based Payments* 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 applies this Standard with the impact that the expense related to grants made during the year is recognised in the employing entity.

The fair value of share-based payments granted is recognised in the consolidated accounts as an expense with a corresponding entry to reserves. The fair value is measured at grant date and amortised on a straight-line basis over the period that the employees become unconditionally entitled to the share.

For options and performance rights, 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 option or right, 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.

For any shares to be purchased under the FARP on behalf of employees, the fair value is measured based on the notional investment in the Platinum Trust Funds. The fair value is subsequently amortised on a straight-line basis over the applicable vesting period with a corresponding entry to reserves. The amount to be expensed is adjusted at each balance date to reflect the estimated number of shares that are expected to vest based on the accumulated investment performance of the underlying Platinum Trust Funds. Once shares are purchased on behalf of employees, the reserves entry is no longer required.

1. Summary of Significant Accounting Policies CONTINUED

(m) Share-Based Payments CONTINUED

At each balance date, the Group revises its estimates of the number of options (and performance rights) exercisable and Fund Appreciation Rights. The share-based payments expense recognised each period takes into account the most recent estimate. The impact of any revision to the original estimate (e.g. forfeitures) will be recognised in the Statement of Comprehensive Income with the corresponding entry to the reserves account.

(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 weighted average number of shares used to determine basic earnings per share to take into account options that are "in the money", but not exercised (see Note 9).

(p) Depreciation

Fixed assets are stated at historical cost less depreciation. Fixed assets (other than in-house software and applications) 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
In-house Software and Applications	4 years
Communications Equipment	4 – 20 years
Office Fitout	5 – 13⅓ years
Office Furniture and Equipment	5 – 13⅓ years

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

1. Summary of Significant Accounting Policies CONTINUED

(q) Operating Leases

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

(r) 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.

(s) Goods and Services Tax (GST)

Revenue, expenses, receivables and payables 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.

(t) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. The accounting standards of relevance to the Company and consolidated entity are discussed below, as is the assessment of their impact.

(i) AASB 10: *Consolidated Financial Statements* and revised AASB 127: *Separate Financial Statements* (effective 1 January 2013)

AASB 10 replaces all of the guidance on control and consolidation stipulated in AASB 127: *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The consolidated entity does not expect the new standard to have an impact on its composition. The Standard will not have any impact on the Company or consolidated entity's financial statements.

1. Summary of Significant Accounting Policies CONTINUED

(t) New Accounting Standards and Interpretations CONTINUED

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the Company or consolidated entity will not affect any of the amounts recognised in the financial statements.

The Company or consolidated entity does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements from the annual reporting period beginning 1 July 2013.

(ii) AASB 13: *Fair Value Measurement* and AASB 2011-8: *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The Company or consolidated entity has yet to determine if its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the precise impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will not have a significant impact on the type of information disclosed in the notes to the financial statements. The Company or consolidated entity does not intend to adopt the new standard before its operative date, which is the annual reporting period beginning 1 July 2013.

(iii) Revised AASB 9: *Financial Instruments* (addressing accounting for financial liabilities and the derecognition of financial assets and financial liabilities), AASB 2010-7: *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) and AASB 2012-6: *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective for annual reporting periods beginning on or after 1 January 2015)

The revised standard defers the operative date of AASB 9: *Financial Instruments* from 1 January 2013 to 1 January 2015. AASB 9 provides guidance on the classification and measurement of financial assets and this standard was assessed at 30 June 2012 as not having a significant impact on the Company or consolidated entity as its financial instruments are already recognised at fair value.

In addition, AASB 2012-6 provides relief from the requirement to restate comparative financial statements for the effect of applying AASB 9, a relief that was originally only available to reporting entities that chose to apply AASB 9 prior to 2012. The Company and consolidated entity will apply the revised standard from 1 July 2015.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2013

1. Summary of Significant Accounting Policies CONTINUED

(t) New Accounting Standards and Interpretations CONTINUED

(iv) *Investment Entities: Amendments to IFRS 10: Consolidated Financial Statements, IFRS 12: Disclosure of Interests in Other Entities, revised IAS 27: Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014) and Exposure Draft 233: *Australian additional disclosures – investment entities (ED 233)*

The proposed amendments apply to a particular class of business that qualifies as an "investment entity". An "investment entity" is defined as an entity whose business purpose is to invest funds solely for returns from capital appreciation and/or investment income. Where an entity qualifies as an "investment entity", the International Accounting Standards Board (IASB) will permit investment entities to measure its investments in controlled subsidiaries at fair value through profit and loss. Previously, all reporting entities were required to consolidate all subsidiaries that they control. The Australian Accounting Standards Board issued ED 233 in late December 2012 in response to the IASB and are proposing that entities produce additional consolidated financial statements in addition to the financial statements based on the IASB amendments. In any case, it is unlikely that the consolidated entity will meet the definition of an "investment entity". Therefore, the proposed standard or the Exposure Draft will not impact on the disclosures contained in the financial report.

(v) Revised AASB 119: *Employee Benefits*, AASB 2011-10: *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) and AASB 2011-11: *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective for annual periods beginning on or after 1 July 2013)

The revised standard introduces a number of changes to the accounting of employee benefits. The change of relevance to the Company or consolidated entity is that the classification and measurement for all employee benefits, within the short-term and other long-term employee benefit categories will be revised so that the distinction between the two will depend on whether the entity expects the benefit to be wholly settled within 12 months. Discounting will apply to any benefits classified as other long-term benefits. The revised standard will not have a significant effect on the classification and measurement of disclosures contained in the Company or consolidated entity's Statement of Financial Position. The Company and consolidated entity will apply the revised standard from 1 July 2013.

1. Summary of Significant Accounting Policies CONTINUED

(t) New Accounting Standards and Interpretations CONTINUED

(vi) AASB 2011-4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective for annual reporting periods beginning on or after 1 July 2013)

The revised standard removes the individual key management personnel (KMP) disclosure requirements from AASB 124: *Related Party Disclosures*, for all disclosing entities to achieve consistency with the international equivalent standard and removes a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early.

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

	2013 $'000	2012 $'000

2. Financial Assets at Fair Value Through Profit or Loss

	2013 $'000	2012 $'000
Derivatives*	**763**	–
Unlisted unit trust investments	**1,381**	1,882
	2,144	1,882

* The operating subsidiary, Platinum Investment Management Limited, entered into a short position over Japanese Government Bond (JGB) futures. Refer to Note 19 for the interest rate risk relating to this investment.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2013

	2013 $'000	2012 $'000
3. Income Tax		
(a) Income tax expense		
The income tax expense attributable to profit comprises:		
Current income tax provision	**53,236**	53,247
Deferred tax assets	**287**	137
Deferred tax liabilities	**530**	(229)
(Over)/under provision of prior period tax	**4**	(85)
Income tax expense	**54,057**	53,070
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	**183,169**	179,448
Prima facie income tax on profit at 30%	**54,951**	53,834
Tax effect on amounts that:		
Reduce tax payable:		
– Tax rate differential on offshore business income	**(1,965)**	(1,658)
– Non-assessable income	**(9)**	(9)
Tax-effect of amounts that are non-deductible		
Increase tax payable:		
– Share-based payments	**1,051**	961
– Depreciation	**23**	26
– Other non-deductible expenses	**2**	1
(Over)/under provision of prior period tax	**4**	(85)
Income tax expense	**54,057**	53,070

3. Income Tax CONTINUED

(b) Net Deferred Tax Assets

The net deferred tax assets figure in the Balance Sheet is comprised of:

(i) Deferred Tax Assets

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Capital expenditure not immediately deductible	**124**	231
Employee entitlements		
– Long service leave	**429**	370
– Annual leave	**281**	274
Unrealised foreign exchange losses on cash	**–**	203
Tax fees	**82**	91
Periodic reporting	**35**	27
Audit and accounting	**87**	54
Printing and mail house	**25**	25
Fringe benefits tax and Payroll tax	**19**	18
Unrealised losses on equities and derivatives	**–**	76
Deferred tax assets	**1,082**	1,369

(ii) Deferred Tax Liabilities

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Interest not assessable	**229**	458
Unrealised foreign exchange gains on cash	**469**	–
Unrealised gains on equities and derivatives	**290**	–
Deferred tax liabilities	**988**	458
Net Deferred Tax Assets	**94**	911

Given the nature of the items disclosed above as deferred tax balances, it is estimated that most of the deferred tax balances will be recovered or settled within 12 months.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

4. Fixed Assets

	2013 $'000	2012 $'000
Computer equipment (at cost)	**1,229**	1,079
Less: Accumulated depreciation	**(826)**	(780)
	403	299
Purchased and capitalised software and applications (at cost)	**3,115**	2,701
Less: Accumulated depreciation	**(2,345)**	(2,242)
	770	459
Communications equipment (at cost)	**117**	122
Less: Accumulated depreciation	**(91)**	(90)
	26	32
Office premises fit out (at cost)	**1,721**	1,722
Less: Accumulated depreciation	**(434)**	(379)
	1,287	1,343
Office furniture and equipment (at cost)	**564**	481
Less: Accumulated depreciation	**(323)**	(296)
	241	185
	2,727	2,318

4. Fixed Assets CONTINUED

Asset Movements during the year

	COMPUTER EQUIPMENT 2013 $'000	COMPUTER EQUIPMENT 2012 $'000	**PURCHASED AND CAPITALISED SOFTWARE AND APPLICATIONS 2013 $'000**	PURCHASED AND CAPITALISED SOFTWARE AND APPLICATIONS 2012 $'000
Opening balance	**299**	259	**459**	552
Additions	**374**	204	**584**	229
Disposals	**(15)**	(9)	**(4)**	–
Depreciation expense	**(255)**	(155)	**(269)**	(322)
Closing balance	**403**	299	**770**	459

	COMMUNI-CATIONS EQUIPMENT 2013 $'000	COMMUNI-CATIONS EQUIPMENT 2012 $'000	**OFFICE PREMISES FIT OUT 2013 $'000**	OFFICE PREMISES FIT OUT 2012 $'000
Opening balance	**32**	26	**1,343**	1,374
Additions	**11**	23	**3**	26
Disposals	**(1)**	–	**(2)**	–
Depreciation expense	**(16)**	(17)	**(57)**	(57)
Closing balance	**26**	32	**1,287**	1,343

	OFFICE FURNITURE AND EQUIPMENT 2013 $'000	OFFICE FURNITURE AND EQUIPMENT 2012 $'000
Opening balance	**185**	210
Additions	**98**	4
Disposals	**(4)**	–
Depreciation expense	**(38)**	(29)
Closing balance	**241**	185

The closing balance of purchased and capitalised software and applications disclosed above includes amounts recognised in relation to software and applications in the course of construction and development of $66,692 at 30 June 2013 (2012: $141,906).

The increase in 2013 of purchased and capitalised software and applications relates primarily to the development of a new Platinum website that went live in June 2013.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2013

	2013 $'000	2012 $'000
5. Payables		
Trade creditors	**3,151**	3,010
Goods and Services Tax (GST)	**1,647**	1,419
Unclaimed dividends payable to shareholders	**301**	277
	5,099	4,706

Trade creditors are unsecured and payable between seven and 30 days after the consolidated entity becomes liable. Information relating to the consolidated entity's exposure of payables to liquidity risk is shown in Note 19.

6. Provisions

	2013 $'000	2012 $'000
Current		
Long service leave	**1,428**	1,234
Annual leave	**937**	911
Payroll tax payable within 12 months	**56**	34
	2,421	2,179
Non-current		
Payroll tax payable beyond 12 months	**–**	18
	–	18

7. Share-Based Payments

(a) Options and Performance Rights Plan (OPRP)

On 22 May 2007, the Group established an OPRP to assist with the retention and motivation of employees. Options were granted under this plan on 22 May 2007 and 17 June 2009. Since June 2009, no options have been granted. Performance Rights were granted under this plan in 2007.

Options, granted, vested and exercised

On 22 May 2007, certain highly-qualified employees were initially granted 27,010,467 options under the OPRP, to take up shares in Platinum Asset Management Limited at a strike price of $5.00. 16,547,817 options (net of forfeitures) vested in May 2011 and had a further two year exercise period. In May 2013, all vested options were exercised and 16,547,817 new shares were issued.

On 17 June 2009, certain highly-qualified employees were granted 8,783,205 options under the OPRP to take up shares in Platinum Asset Management Limited at a strike price of $4.50. The options (net of forfeitures) vested on 17 June 2013 and have a further two year exercise period. At 30 June 2013, 250,000 options have been exercised and 250,000 new shares have been issued.

Total proceeds received from the issue of new shares during the year was $83,864,085 and this amount appears in the Consolidated Statement of Cash Flows as "Receipts from the issue of shares".

Options on issue are as follows:

	2013 QUANTITY	2012 QUANTITY
Options Granted on 17 June 2009		
Opening balance	**8,783,205**	8,783,205
Exercise of options – 24 June 2013	**(250,000)**	–
Closing balance	**8,533,205**	8,783,205

At 30 June 2013, 8,533,205 options granted on 17 June 2009 have vested, but remain unexercised.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2013

7. Share-Based Payments CONTINUED
(a) Options and Performance Rights Plan (OPRP) CONTINUED

Model inputs for options granted on 17 June 2009 included:	
(a) Exercise price:	$4.50
(b) Grant date:	17 June 2009
(c) Expiry date:	17 June 2015
(d) Days to expiry (mid-point) at grant date:	1,825 days
(e) Share price at grant date:	$4.10
(f) Assumed volatility of the Company's shares:	42.00%
(g) Assumed dividend yield:	4.30%
(h) Risk-free interest rate:	5.01%

In relation to the options granted on 17 June 2009, the assumed price volatility was based on the Platinum Asset Management Limited share price movement since December 2008.

Fair Value of Options
The assessed fair value of options granted on 17 June 2009 was $1.14 per option.

(b) Fund Appreciation Rights Plan (FARP)
On 1 April 2009, the Group established the FARP to assist with the retention and motivation of the Group's investment analysts.

Under the FARP, shares in Platinum Asset Management Limited are purchased by the Group on behalf of employees, if they satisfy a time-based vesting period requirement of three years continuous employment with the Group.

The total number of shares ultimately purchased by the Group is equivalent to the notional investment in the Platinum Trust Funds, notionally allocated to employees, adjusted for the accumulated performance of the Funds over the vesting period. This interest is "notional" only, meaning employees have no entitlement to units in the Platinum Trust Funds. Notional investment in the Platinum Trust Funds occurred on 1 April 2009, 1 April 2010 and 1 April 2011. No FARs were granted in 2012 or 2013.

Fair Value of the Fund Appreciation Rights (FARs) Granted
The assessed fair value of FARs at 30 June 2013 is based on the notional market value of the investment in the Platinum Trust Funds at the grant date of 1 April 2011. The movement in notional value of units to 30 June 2013 (or 31 March 2013 for the FARs that vested on that date) are recognised in the Statement of Comprehensive Income with a corresponding adjustment to equity for any unvested FARs.

7. Share-Based Payments CONTINUED

(b) Fund Appreciation Rights Plan (FARP) CONTINUED

The fair value of FARs granted on 1 April 2010 was $1,015,000, amortised over a three year vesting period. The notional value of these FARs on 31 March 2013 was $1,021,718. On 4 April 2013, shares to the value of $1,021,718 were purchased by the Group on behalf of the employees and allocated to these employees. The movement in the notional value of units between 1 July 2012 and the vesting date of 31 March 2013 was $147,553 (2012: ($60,465) from 1 July 2011 to 30 June 2012).

The fair value of FARs granted on 1 April 2011 was $1,050,000, amortised over a three year vesting period. The movement in the notional value of units between 1 July 2012 and 30 June 2013 was $352,786 (2012: ($65,312)).

	2013 $'000	2012 $'000
Expenses Arising from Share-Based Payment Transactions		
Total expenses arising from share-based payment transactions were as follows:		
Options granted on 17 June 2009 and vested on 17 June 2013	**2,399**	2,494
Fund appreciation rights granted on 1 April 2009 and vested on 31 March 2012	–	148
Fund appreciation rights granted on 1 April 2010 and vested on 31 March 2013	**401**	278
Fund appreciation rights granted on 1 April 2011	**703**	285
Total share-based payments expense	**3,503**	3,205
Associated payroll tax expense on fund appreciation rights*	**5**	2
Total	**3,508**	3,207

* Amounts are included in staff expenses in the Statement of Comprehensive Income.

At 30 June 2013, the fair value remaining to be amortised over the remainder of the vesting period is $nil for the options granted on 17 June 2009 and $262,819 for the FARs granted on 1 April 2011.

In order to retain and motivate employees, additional options, performance rights or FARs may be issued under the OPRP or FARP in the future, in compliance with the *Corporations Act 2001*.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

	2013 QUANTITY 000	2013 $'000	2012 QUANTITY 000	2012 $'000
8. Contributed Equity and Reserves				
(a) Movement in share capital				
Ordinary shares – opening balance	**561,348**	**629,091**	561,348	629,091
Exercise of options – issue of shares on 14 May 2013	**4,000**	**20,000**	–	–
Exercise of options – issue of shares on 16 May 2013	**4,000**	**20,000**	–	–
Exercise of options – issue of shares on 21 May 2013	**281**	**1,402**	–	–
Exercise of options – issue of shares on 22 May 2013	**8,267**	**41,337**	–	–
Exercise of options – issue of shares on 24 June 2013	**250**	**1,125**	–	–
Total contributed equity	**578,146**	**712,955**	561,348	629,091

Ordinary Shares

At 30 June 2013, the total number of shares on issue is 578,145,695. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. All ordinary shares are issued and authorised.

8. Contributed Equity and Reserves CONTINUED

(b) Movement in reserves

	2013 $'000	2012 $'000
Opening balance – Brought forward capital and share-based payments reserve	**(564,628)**	(567,151)
Options granted on 17 June 2009 and vested on 17 June 2013	**2,399**	2,494
Fund appreciation rights granted on 1 April 2009 and vested 31 March 2012	**–**	148
Transfer from reserves – shares purchased based on Fund appreciation rights that vested on 31 March 2012	**–**	(682)
Fund appreciation rights granted on 1 April 2010 and vested on 31 March 2013	**401**	278
Transfer from reserves – shares purchased based on Fund appreciation rights that vested on 31 March 2013	**(1,021)**	–
Fund appreciation rights granted on 1 April 2011	**703**	285
	2,482	2,523
Closing Balance	**(562,146)**	(564,628)

In 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 Asset Pty 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 in 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 majority of the amount of ($562,146,000) was established on listing as a result of the difference between the consideration paid for the purchase of minority interests and the share of net assets acquired in the minority interests. Since listing, small movements have been made each year to take into account movements in share-based payments reserves.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

	2013	2012
9. Earnings Per Share		
Basic earnings per share – cents per share	**22.92**	22.51
Diluted earnings per share – cents per share	**22.58**	22.51

	2013 $'000	2012 $'000
Earnings used in the calculation of basic and diluted earnings per share	**129,112**	126,378

	2013	2012
Weighted average number of shares used as a denominator		
Weighted average number of ordinary shares on issue used as a denominator in the calculation of basic earnings per share*	**563,319,640**	561,347,878
Adjustment for potential ordinary shares – options that are "in the money" at balance date	**8,533,205**	–
Weighted average number of ordinary shares and potential ordinary shares used as a denominator in calculating diluted earnings per share	**571,852,845**	561,347,878

All unexercised options granted to employees in June 2009 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share as they are "in the money" and dilutive at 30 June 2013. These options have not been included in the calculation of basic earnings per share.

* The weighted number of ordinary shares on issue used in the calculation of basic earnings per share increased because new shares were issued as a result of employees exercising options during the year (see Note 7(a) for further details).

	2013 $'000	2012 $'000
10. Retained Profits		
Retained earnings at the beginning of the financial year	**182,036**	184,768
Net profit	**129,112**	126,378
Dividends paid	**(117,883)**	(129,110)
Retained earnings at the end of the financial year	**193,265**	182,036

	2013 CENTS PER SHARE	**2013 $'000**	2012 CENTS PER SHARE	2012 $'000
11. Dividends (Fully Franked)				
Paid – 22 September 2011	**–**	**–**	15.00	84,202
Paid – 12 March 2012	**–**	**–**	8.00	44,908
Paid – 21 September 2012	**13.00**	**72,975**	–	–
Paid – 18 March 2013	**8.00**	**44,908**	–	–
	21.00	**117,883**	23.00	129,110

Dividends not recognised at year-end

In addition to the above dividends paid, since year-end, the Directors have declared the payment of a dividend of 14 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of this dividend that has been provided for, but not recognised as a liability at year-end, is $82,135,000.

	2013 $'000	2012 $'000
12. Franking Account		
Opening balance based on tax paid and franking credits attached to dividends paid	**114,406**	116,576
Franking (debits) arising from dividends paid during the year	**(50,521)**	(55,333)
Franking credits/(debits) arising from tax paid, payable or (refunded) during the year	**53,239**	53,163
	117,124	114,406

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2013

	2013 $'000	2012 $'000
13. Notes to the Statement of Cash Flows		
(a) Reconciliation of Cash and Cash Equivalents		
Cash at bank	**152**	68
Cash on deposit (at call)*	**23,900**	11,811
	24,052	11,879

* Includes $1,583,674 (2012: nil) on deposit to "cash cover" derivative contract deposits.

Information in relation to the consolidated entity's exposure to interest rate risk is provided in Note 19.

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

	2013 $'000	2012 $'000
Profit after income tax	**129,112**	126,378
Depreciation	**635**	580
Fixed assets scrapped	**26**	9
Share-based payments	**2,482**	2,523
(Gain)/loss on investments	**573**	253
Decrease/(Increase) in cash due to exchange rate movements	**(2,123)**	(48)
Decrease/(Increase) in trade receivables	**(6,308)**	2,337
Decrease/(Increase) in interest receivable	**121**	(797)
Decrease/(Increase) in prepayments	**(410)**	247
Decrease/(Increase) in deferred tax assets	**287**	137
(Decrease)/Increase in trade creditors and GST	**369**	(562)
(Decrease)/Increase in annual leave, long service leave and payroll tax provisions	**224**	443
(Decrease)/Increase in income tax payable	**2,998**	(3,222)
(Decrease)/Increase in deferred tax liabilities	**530**	(229)
Net Cash from Operating Activities	**128,516**	128,049

14. Contingent Assets, Liabilities and Commitments to Capital Expenditure

No contingent assets or liabilities exist at 30 June 2013 and 30 June 2012. The consolidated entity has no commitments for significant capital expenditure.

15. Subsequent Events

Since the end of the year, the Directors have declared a fully franked dividend of 14 cents per share payable on 23 September 2013.

No significant events have occurred since the balance date that would impact on the financial position of the consolidated entity as at 30 June 2013 and on the results for the year ended on that date.

16. Segment Information

Under AASB 8: *Operating Segments*, the consolidated entity is considered to have a single operating segment being funds management services. However, AASB 8 requires certain entity-wide disclosures, such as source of revenue by geographic region. The consolidated entity derives management and performance fees from Australian investment vehicles and its US-based investment mandates. The geographical breakdown of revenue is as follows:

	2013 $'000	2012 $'000
Australia	**218,381**	217,114
North America	**13,771**	9,613
	232,152	226,727

17. Lease Commitments

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

	2013 $'000	2012 $'000
Operating leases		
Payable not later than one year	**1,589**	1,517
Payable later than one, not later than five years	**967**	2,556
	2,556	4,073

The operating lease relates to the business premises that the consolidated entity occupies. The lease is due to expire in January 2015.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2013

18. Auditor's Remuneration
During the year, the following fees were paid or payable for services provided by the Auditor to the consolidated entity. The fees were paid by Platinum Investment Management Limited on behalf of the consolidated entity.

	2013 $'000	2012 $'000
Statutory audit services	**283**	278
Taxation and legal services – compliance	**670**	548
Taxation services – foreign tax agent	**16**	24
Other audit and assurance services	**222**	13
	1,191	863

Other audit and assurance services fees increased as a result of greater compliance obligations required to service the Group's investment mandates.

19. Financial Risk Management
The consolidated entity's activities expose it to both direct and indirect financial risk, including: market risk, credit risk and liquidity risk. Direct exposure to financial risk occurs through the impact on profit of movements in Funds Under Management ("FUM") and indirect exposure occurs because Platinum's operating subsidiary is the Investment Manager for various Platinum investment vehicles (which include investment mandates, various unit trusts, known as the Platinum Trust Funds and its ASX-listed investment vehicle, Platinum Capital Limited). This note discusses the direct exposure to risk of the consolidated entity.

The Investment Manager's risk management procedures focus on managing the potential adverse effects on financial performance caused by volatility of financial markets.

The direct risks and mitigation strategies are outlined below.

(a) Market Risk
The key direct risks associated with the consolidated entity are those driven by investment and market volatility and the resulting impact on FUM or a reduction in the growth of FUM. Reduced FUM will directly impact on management fee income and profit because management fee income is calculated as a percentage of FUM. FUM can be directly impacted by a range of factors including:

19. Financial Risk Management CONTINUED

(a) Market Risk CONTINUED

(i) Poor investment performance: absolute negative investment performance will reduce FUM and relative under performance to appropriate market benchmarks could reduce the attractiveness of Platinum's investment products to investors, which would impact on the growth of the business. Poor investment performance could also trigger the termination of Investment Mandate arrangements;

(ii) Market volatility: Platinum invests in global markets. It follows that a decline in overseas markets, adverse exchange rate or interest rate movements will all impact on FUM;

(iii) A reduction in the ability to retain and attract investors: this could be caused by a decline in investment performance, but also a range of other factors, such as the high level of competition in the funds management industry;

(iv) A loss of key personnel; and

(v) Investor allocation decisions: investors constantly re-assess and re-allocate their investments on the basis of their own preferences. Investor allocation decisions could operate independently from investment performance, such that funds outflows occur despite positive investment performance.

A decline in investment performance will also directly impact on performance share fees and performance fees earned by the consolidated entity. Historically, the amount of performance share fees earned by the consolidated entity has fluctuated significantly from year to year and can be a material source of fee revenue.

For those Investment Mandates that pay a performance share fee, the fee is based on a proportion of each Mandate's investment performance. It is calculated at the end of each calendar year and is based upon the actual performance of each Investment Mandate for the year.

Performance fees may be earned by the consolidated entity, if the investment return of a Platinum Trust Fund, Platinum Capital Limited or applicable Mandate exceeds a specified benchmark. Should the actual performance of a Platinum Trust Fund, Platinum Capital Limited or applicable Mandate be higher than the applicable benchmark, a performance fee may be receivable for the financial year. As at 30 June 2013, performance fees of $3,286,535 (2012: $nil) were receivable.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2013

19. Financial Risk Management CONTINUED

(a) Market Risk CONTINUED

If global equity markets fell 10% over the course of the year and consequently the consolidated entity's FUM fell in line with global equity markets, it follows that management fees would fall by 10%. If there was a 10% decrease in performance of Investment Mandates over the course of the year that resulted in an actual negative performance for the Investment Mandate for the year, then no performance fee would be earned.

The above analysis assumes a uniform 10% fall across all global equity markets. This is extremely unlikely as there is a large degree of variation in volatility across markets. For example, it is quite feasible for the Japanese market to fall whilst other Asian markets exhibit strong growth.

To mitigate the impact of adverse investment performance on FUM, the Investment Manager may employ hedging strategies to manage the impact of adverse market and exchange rate movements on the funds it manages. Market risk may be managed through derivative contracts, including futures, options and swaps. Currency risk may be managed through the use of foreign currency contracts.

The section below discusses the direct impact of foreign exchange risk, interest rate risk and price risk on the consolidated entity's financial instruments held at 30 June 2013.

(i) Foreign Exchange Risk

The consolidated entity has US dollar Investment Mandates and derives fees in US dollars from these mandates. In addition, the consolidated entity held US$19,396,054 (equivalent to A$21,225,710) in cash at 30 June 2013 (2012: US$8,351,614 (equivalent to A$8,157,466)). Therefore, the consolidated entity is directly exposed to foreign exchange risk arising from movements in exchange rates.

If the Australian dollar had been 10% lower/higher against the US dollar than the prevailing exchange rate used to convert the Mandate fees with all other variables held constant, then net profit after tax would have been A$929,512 higher/A$1,135,861 lower (2012: A$741,791 higher/A$606,921 lower).

There is also an immaterial impact on unrealised profit caused by the exchange rate translation associated with holding the Japanese Government Bond futures contract.

19. Financial Risk Management CONTINUED

(a) Market Risk CONTINUED

(ii) Interest Rate Risk

At 30 June 2013, term deposits and the short position over Japanese Government Bond futures are the only significant assets with potential exposure to interest rate risk held by the consolidated entity. A movement of +/–1% in Australian interest rates occurring on 30 June 2013 will have no impact on profit as the interest rate on term deposits are determined on execution.

A reasonably possible 15 basis point increase/decrease in the Japanese Government 10 year bond yield occurring on 30 June 2013 would have caused a A$3.1 million gain/A$6.3 million loss in pre-tax profit.

(iii) Price Risk

At 30 June 2013, financial assets and liabilities at fair value through profit or loss represent an immaterial amount of the consolidated entity's total assets and net profit. Accordingly, the consolidated entity does not have a significant direct exposure to price risk.

(b) Credit Risk

Credit risk relates to the risk of a counterparty defaulting on a financial obligation resulting in a loss to the consolidated entity (typically "non-equity" financial instruments). Credit risk arises from the financial assets of the consolidated entity that include: cash, receivables, derivatives and term deposits. All term deposits are held with licensed Australian banks that all have a AAA credit rating. The Japanese Government Bond futures contract is held with a counterparty with an A– credit rating at 30 June 2013 (source: Bloomberg).

The maximum exposure to direct credit risk at balance date is the carrying amount of financial assets recognised in the Balance Sheet. The consolidated entity may hold some collateral as security (for example, margin accounts) and the credit quality of all financial assets is consistently monitored by the consolidated entity. No financial assets are past due or impaired.

Any default in the value of a financial instrument held within any of the Platinum Trusts, Platinum Capital or the Investment Mandates, will result in reduced investment performance. There is no direct loss for the consolidated entity other than through the ensuing reduction in FUM, as noted above in market risk. The Investment Manager employs standard market practices for managing its credit risk exposure.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2013

19. Financial Risk Management CONTINUED

(c) Liquidity Risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with its liabilities. The consolidated entity manages liquidity risk by maintaining sufficient cash reserves to cover its liabilities and receiving management fees to meet operating expenses on a regular basis. Management monitors its cash position on a daily basis and prepares cash forecasts on a weekly basis. The amounts below represent the contractual maturity of financial and non-financial liabilities.

Non-financial liabilities

	AT CALL $'000	WITHIN 30 DAYS $'000	BETWEEN 1 AND 12 MONTHS $'000	MORE THAN 12 MONTHS $'000	TOTAL $'000
Trade creditors					
30 June 2013	–	3,151	–	–	3,151
30 June 2012	–	3,010	–	–	3,010
Goods and Services Tax (GST)					
30 June 2013	–	1,647	–	–	1,647
30 June 2012	–	1,419	–	–	1,419
Current tax payable					
30 June 2013	–	–	14,429	–	14,429
30 June 2012	–	–	11,431	–	11,431
Unclaimed dividends payable to shareholders					
30 June 2013	301	–	–	–	301
30 June 2012	277	–	–	–	277
Long service leave					
30 June 2013	1,428	–	–	–	1,428
30 June 2012	1,234	–	–	–	1,234
Annual leave					
30 June 2013	937	–	–	–	937
30 June 2012	911	–	–	–	911
Payroll tax on FARs					
30 June 2013	–	–	56	–	56
30 June 2012	–	–	34	18	52
Total					
30 June 2013	2,666	4,798	14,485	–	21,949
30 June 2012	2,422	4,429	11,465	18	18,334

19. Financial Risk Management CONTINUED

(c) Liquidity Risk CONTINUED

At 30 June 2013, the consolidated entity has sufficient cash reserves of $329,967,999 (2012: $236,779,031) and a further $27,313,801 (2012: $21,264,517) of receivables to cover these liabilities. The current year cash reserves figure includes $307,500,000 of term deposits. All of these term deposits have maturities of 6 months or less from the date of acquisition.

Accordingly, the consolidated entity does not have a significant direct exposure to liquidity risk.

Financial liabilities

As at 30 June 2013 (and 30 June 2012) the consolidated entity has no financial liabilities.

(d) Fair Value Hierarchy

AASB 7: *Financial Instruments: Disclosures* requires the consolidated entity to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices) (level 2); and
(iii) inputs for the assets or liability that are not based on observable market data (unobservable inputs) (level 3).

At 30 June 2013, all financial assets and liabilities at fair value through profit or loss are classified as level 1 as all financial assets and liabilities are valued based on quoted arm's length prices in active markets. The Japanese Government Bond futures are a globally-cleared derivative and trade in a highly liquid market.

(e) Capital Risk Management

(i) Capital requirements

The Company has limited capital requirements. Owing to the volatility caused by the performance share fee component of revenue, the Directors smooth dividend payments and have a policy of paying out 80% to 90% of net profit after tax. This is a policy, not a guarantee.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2013

19. Financial Risk Management CONTINUED

(e) Capital Risk Management CONTINUED

(ii) External requirements

In connection with operating a funds management business in Australia, the operating subsidiary of the Company (that conducts the funds management business) is required to hold an Australian Financial Services Licence (AFSL). As a holder of an AFSL, the Australian Securities and Investment Commission (ASIC) requires the subsidiary to:

- prepare 12-month cash-flow projections which must be approved at least quarterly by directors;
- hold at all times minimum Net Tangible Assets (NTA) the greater of:
  - $150,000;
  - 0.5% of the average value of scheme property (capped at $5 million); or
  - 10% of the average Responsible Entity (RE) revenue (uncapped).

The operating subsidiary must hold at least 50% of its minimum NTA requirement as cash or cash equivalents and hold at least $50,000 in Surplus Liquid Funds (SLF).

The operating subsidiary has complied with all externally imposed reports to hold an AFSL during the financial year.

20. 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 21.

21. 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):

(a) McRae Pty Limited (incorporated in Australia) – (100% owned by the Company).
(b) Platinum Asset Pty Limited (incorporated in Australia) – (100% owned by the Company).
(c) Platinum Investment Management Limited (incorporated in Australia) – (indirectly 100% owned by the Company).
(d) Platinum Asset Management Pte Ltd (incorporated in Singapore) – (indirectly 100% owned by the Company).

22. Related Party Dealings

(a) Directors' remuneration

Details of all remuneration paid to Directors is disclosed in the Directors' Report and Note 23.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 21.

(c) Transactions with related parties

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 Limited 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 (that is calculated annually) based upon the relevant Fund's and Platinum Capital Limited's investment return over and above a specified benchmark. The total related party fees recognised in the Statement of Comprehensive Income for the year ended 30 June 2013 was $173,732,046 (2012: $176,499,297). Of this, an amount of $15,505,674 was receivable at 30 June 2013 (2012: $13,118,492).

Platinum Investment Management Limited holds small investments in the Platinum Trust Funds. At 30 June 2013, the amount of this investment disclosed in the Balance Sheet was $1,381,337 (2012: $1,881,873). The income distribution relating to this, as disclosed in the Statement of Comprehensive Income and disclosed as "Other investments" was $32,772 (2012: $34,616).

(d) Tax consolidation and dividend transactions

Any tax payments and dividends are sourced from the operating subsidiary, Platinum Investment Management Limited, and paid out under the Company. Platinum Asset Management Limited is the head entity of the consolidated tax group and is the entity that ultimately pays out dividends to shareholders. The amounts paid are disclosed in the Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

23. Key Management Personnel Disclosures

(a) Aggregate remuneration

The aggregate remuneration that the consolidated entity provided Executive and Non-Executive Directors was as follows:

	2013 $	2012 $
Cash and short-term incentive bonuses	**2,585,000**	2,114,000
Superannuation	**99,480**	94,650
Share-based payments expense allocated for options granted*	**1,576,561**	1,335,154
Consideration received for the exercise of options**	**143,396**	–
Increase/(decrease) in the consolidated entity's annual and long service leave provision	**125,226**	51,799
	4,529,663	3,595,603

* Options were granted to three Executives in 2007 and/or 2009 and the above figure is the accounting expense entry that relates to 2013 (and 2012), required to be made under the accounting standards.

** Whilst the consolidated entity booked an accounting expense, the only amount received by an Executive for exercising options was $143,396. See Note 23(b) for further details.

The aggregate compensation provided increased in 2013 relative to 2012. This predominantly relates to the fact that there were two new Directors appointed during the year.

23. Key Management Personnel Disclosures CONTINUED

(b) Details of options granted

The table below provides details of options that were granted to the Executives of the consolidated entity in 2007 and/or 2009 and details about any options that have vested or have been exercised.

NAME	GRANT DATE	NUMBER OF OPTIONS GRANTED	FAIR VALUE PER OPTION (ROUNDED) ($)	FAIR VALUE AT GRANT DATE[1] ($)	VESTING DATE	EXPIRY DATE	NUMBER OF OPTIONS VESTED AND UNEXER-CISED	NUMBER OF OPTIONS EXERCISED	ACCOUNT-ING EXPENSE[2] ($)
Kerr Neilson	N/A	Nil	Nil	Nil	N/A	N/A	Nil	Nil	Nil
Andrew Clifford	17/06/09	3,844,350	1.14	4,367,181	17/06/2013	17/06/2015	3,844,350	Nil	1,049,976
Elizabeth Norman	17/06/09	1,071,123	1.14	1,216,796	17/06/2013	17/06/2015	1,071,123	Nil	292,547
Philip Howard	22/05/07	841,500	0.82	688,263	22/05/2011	22/05/2013	Nil	841,500	Nil
	17/06/09	856,898	1.14	973,436	17/06/2013	17/06/2015	856,898	Nil	234,038
Vested and exercised				688,263			N/A	841,500	
Vested and unexercised				6,557,413			5,772,371		
Outstanding (unvested)				Nil			Nil		

(1) Independently determined using an appropriate option pricing model, in accordance with AASB 2: *Share-Based Payments*. For further details, refer to accounting policy Note 1(m).

(2) Relates to instances where the options vest over a number of years and some of the vesting period fell in 2013. Under the accounting standards, there is a requirement to show the portion of the expense relating to 2013. The amount expensed for accounting purposes does not represent the amount received by the Executives during the year.

No options were granted to any of the Executives during the year.

(c) Interests of Non-Executive and Executive Directors in shares

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

	2013 QUANTITY	2012 QUANTITY
Michael Cole	**300,000**	300,000
Bruce Coleman	**200,000**	200,000
Margaret Towers	**20,000**	20,000
Kerr Neilson	**322,074,841**	322,074,841
Andrew Clifford	**32,831,449**	32,831,449
Elizabeth Norman	**766,748**	766,748
Philip Howard	**104,281**	104,281

No Director bought or sold shares during the year.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

24. Parent Entity Disclosures

Parent entity financial information is as follows:

	2013 $'000	2012 $'000
Current assets	**98,596**	11,709
Total assets	**754,046**	664,761
Current liabilities	**14,732**	11,709
Total liabilities	**14,732**	11,709
Issued share capital	**712,955**	629,091
Reserves	**24,943**	22,544
Shareholders equity	**739,314**	653,052
Operating profit before tax	**117,882**	129,110
Operating profit after tax	**117,882**	129,110
Total comprehensive income	**117,882**	129,110

There are no guarantees entered into by the parent entity in relation to debts of the subsidiaries, no contingent liabilities and no capital commitments.

DIRECTORS' DECLARATION

In the Directors' opinion,

(a) the financial statements and notes set out on pages 47 to 86 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration required by section 295A of the *Corporations Act 2001* by the Managing Director and Finance Director.

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

Michael Cole
Director

Kerr Neilson
Director

Sydney, 15 August 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

Report on the financial report

We have audited the accompanying financial report of Platinum Asset Management Limited (the Company), which comprises the Balance Sheet as at 30 June 2013, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration for Platinum Asset Management Limited (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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

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

Independence

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

Auditor's opinion

In our opinion:

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 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 financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PLATINUM ASSET MANAGEMENT LIMITED

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 32 of the Directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

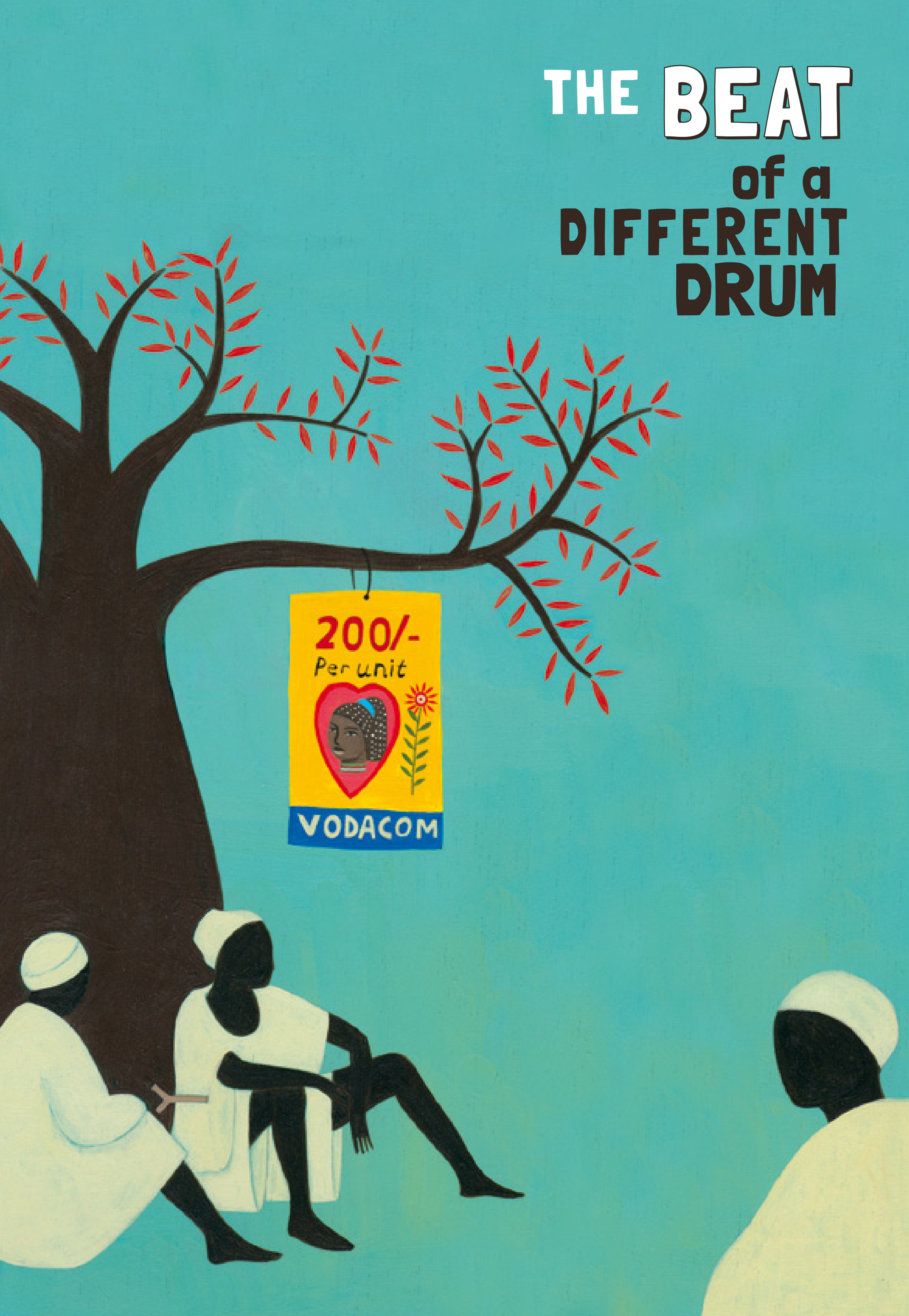
In our opinion, the Remuneration Report of Platinum Asset Management Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

A J Loveridge
Partner

Sydney, 15 August 2013

THE BEAT of a DIFFERENT DRUM



Design and production by: 3C Creative Agency, ***3c.com.au***
Illustrations by: Carole Hénaff, Marlena Agency NYC

The BEAT of A DIFFERENT DRUM

Mobile phones are changing the way we live, and nowhere is this more evident than in Africa. The impact of Information and Communication Technologies (ICTs) on African social and economic landscape is explored in an article produced by the World Bank and the African Development Bank, with the support of the African Union.

PREFACE

While some talk in terms of Japan's lost decades since its financial crisis in 1990, an even stronger case can be made for Africa's lost half century since throwing-off the yoke of colonialism beginning in the 1960s through to the 1970s. Ask a room full of experts as to the origins of this lost opportunity and the responses would absorb gigabytes of memory.

Without wishing to add my opinion to causes, it has always struck me how astonishingly large and diverse the continent of Africa is with a land area of over 30 million km^2, about the combined size of the US, China and Canada, and with a population of some one billion people. It always concerned me that the cost of providing adequate infrastructure was so prohibitive that Africa was doomed to a long period of slow growth.

Another factor that has borne heavily on the shoulders of Africans is the prevalence of graft, or to use the jargon of the not-for-profit donors, rent-seeking behaviour. It would be unfair to pick out Africa as unique in this way, but with a relatively poor record of representative government, many African states have seen their institutions wither with a corresponding rise of a sense of entitlement by those in charge which has cascaded down the command structure to the lowest of poorly paid enforcers.

At times, one could have become progressively more pessimistic as the cycle of maladministration and protectionism spiralled into a deteriorating tax base which in turn diminished the opportunity for self-help, culminating in inertia, the abandonment of hope and the ultimate declaration that, "it has always been thus!"

It is therefore with delight that we can now point to the origins of change that will break this cycle of despair and dark thoughts. The emergence of the internet and in particular its application on mobile devices has been a game changer for Africa and for that matter, the world. However, what is so significant for countries that suffer from the poor ordering and allocation of resources is that the *network effect* created by communications and data mobility circumvents the dead hand of government. Moreover, the extraordinary leaps in technology and falls in equipment costs have made this change possible in even the poorest countries.

To think that at the turn of *this century* there were fewer than 10 million fixed lines in all of Africa, mostly in a single country, and there are now more than 700 million mobile subscribers!

This gives one a hint of the information revolution that is evolving. Imagine the changes to come as smart handsets become available for say $50 to $70 each.

In the accompanying edited article produced by The World Bank and the African Development Bank, with the support of the African Union, there are some fascinating insights as to how mobile devices are changing communications, commerce and even government in Africa. As we have seen in other parts of the world this is a self-feeding process and is exponential in nature. To have reliable information about anticipated weather conditions and prices of agricultural products, to be able to transmit funds to relatives in remote and distant villages, to be able to access healthcare advice on one's mobile phone, are huge breakthroughs.

It can have a disproportional impact on productivity in the creation, and flow of goods and services as it removes ignorance and wasted effort. Having the ability to pay one's water and electricity bills and even government taxes by mobile phone not only eliminates queuing but also improves the balance of power between the ruled and the rulers. This is even before one gets into the realm of political change where mobile communication has been so evident in movements like the Arab Spring in both galvanising action and publicly recording the subsequent outcomes.

In February I wrote a short piece titled "Africa Rising" that is available on the Platinum Asset Management website (www.platinum.com.au) but the article that follows here highlights some of the services and effects of the digital revolution.

Optimists among us can extrapolate and realistically make a case for the gradual reductions of rent-seeking behaviour. We can also envisage how the empowering of the individual that is the consequence of radio-based internet connectivity can lead to a more just and prosperous society.

While the accompanying piece may not give you direct investment ideas, it may trigger thoughts that will impinge on your investment thinking.

Kerr Neilson

Managing Director
August 2013


TRANSPORT

The TRANSFORMATIONAL USE OF INFORMATION & COMMUNICATION TECHNOLOGIES IN AFRICA

The World Bank and the African Development Bank, with the support of the African Union.

Edited by Enock Yonazi, Tim Kelly, Naomi Halewood and Colin Blackman.

THE TRANSFORMATIONAL POWER OF ICTs

ICTs, especially mobile phones, have revolutionized communications in Africa. The explosive growth of mobile phones in Africa over the past decade demonstrates the appetite for change across the continent.

In the year 2000 there were fewer than 10 million fixed-line phones across Africa, a number that had accumulated slowly over a century, and a waiting list of a further 3.5 million.

With a penetration rate of just over 1 per cent, phones were to be found only in offices and the richest households. But the coming of the mobile phone has transformed communications access.

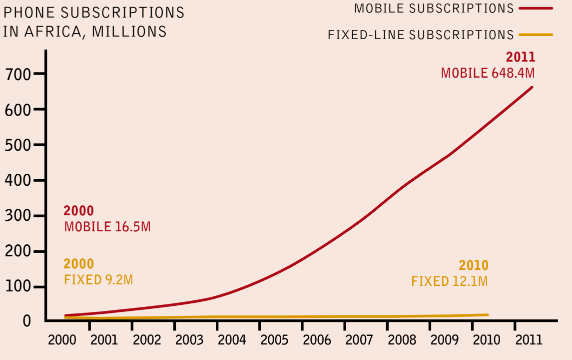
By the start of 2012, there were almost 650 million mobile subscriptions in Africa (A. T. Kearney, 2011), more than in the United States or the European Union[1], making Africa the second fastest growing region in the world, after South Asia *(Figure 1.1)*.

At the start of the decade, few imagined that such demand existed, let alone that it could be afforded. In some African countries, more people have access to a mobile phone than to clean water, a bank account or even electricity. Mobile phones are now being used as a platform to provide access to the internet, to applications and to government services[2].

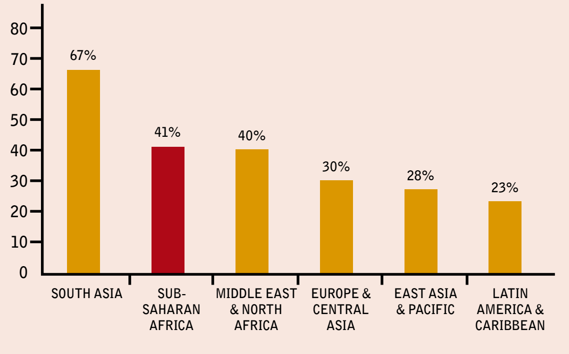
The direct contribution of ICTs to Africa's economy and its growth is impressive.

FIGURE 1.1: AFRICA'S MOBILE REVOLUTION

Mobile phone and fixed line subscriptions in Africa, 2000-2011



Average mobile growth rates by region



Source: World Bank, Wireless Intelligence and ITU.
Note: Regions in the chart above include developing countries only.

In 2011, the mobile phone ecosystem provided more than five million jobs and contributed around US$15 billion directly to government revenues in sales and import taxes and regulatory fees (A.T. Kearney, 2011, p 21).

Unlike the traditional fixed-line telecommunications sector, the mobile industry in Africa has always been competitive in most African economies, with Nigeria having as many as nine licensees, and most countries having three or more operators[3].


Settlite Shop
589

Even South Sudan, which has one of the lowest levels of cellular penetration in the world at about 12 per 100 inhabitants, supports five separate operators, soon to be six (Kelly and Minges, 2011).

The industry has gone through several waves of expansion and consolidation, and some of the largest African-based groups have recently been sold to foreign owners[4]. Nevertheless, African-owned mobile phone operators, like MTN Group, have grown to become major players on the world stage.

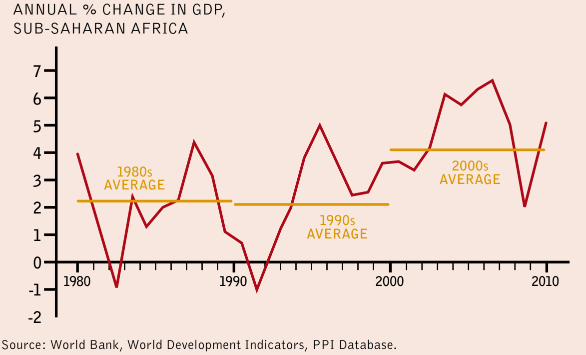
But the significance of the direct contribution of ICTs to the African economy is secondary to their indirect contribution, in driving growth in other sectors.

Africa's "mobile decade" has driven its economic growth. World Bank research has indicated that, between 2000 and 2008, Africa's early reformers enjoyed an extra 1.2 percentage point boost to GDP compared to those that only liberalized their telecom sectors later (Williams *et al*, 2011, p 111).

Africa's economy has enjoyed a renaissance in the 2000s (OECD *et al*, 2011) with the average rate of economic growth of almost 5 per cent, which is higher than anything achieved since the 1970s *(Figure 1.2)*.

FIGURE 1.2: ICT DRIVING AFRICA'S RENAISSANCE

Africa's economic growth, by decade, 1990-2010



Source: World Bank, World Development Indicators, PPI Database.

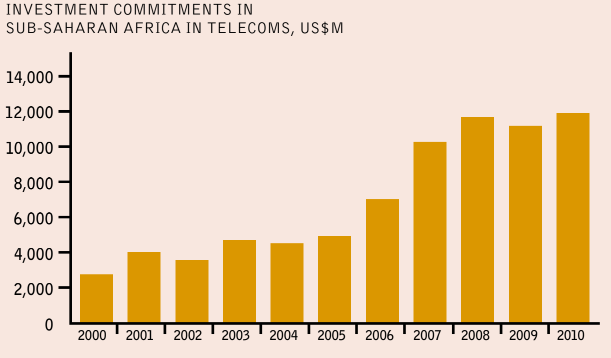
Many factors have contributed to this, including increasing political stability, higher commodity prices and reforms in other sectors of the economy. But it is not too fanciful to believe that the wider availability of ICTs has also contributed greatly to this African renaissance.

Foreign Direct Investment is also booming, increasing almost fivefold between 2000 (US$27 billion) and 2010 (US$122 billion), though it has declined in the north of the continent recently owing to the fall-out from the Arab Spring (OECD *et al*, 2011).

In the telecommunication sector, private investment, much of it from foreign sources, is growing and contributed some US$77m between 2000 and 2010 for Sub-Saharan Africa (*Figure 1.3*).

FIGURE 1.3: ICT DRIVING AFRICA'S RENAISSANCE

Africa's private investment in telecoms, 2000-2010



Source: World Bank, World Development Indicators, PPI Database.

Africa is now a much easier place to do business, thanks to its much-improved connectivity. ICTs directly contribute around 7 per cent of Africa's GDP, which is higher than the global average. That's because, in Africa, mobile phones are also substitutes for many other types of service, such as financial credit, newspapers, games and entertainment so the value of a mobile phone may be higher in Africa than elsewhere.

We are now seeing the rapid development of mobile broadband with smartphones and affordable tablets across Africa. This will bring even greater social and economic impacts over the next decade.

ICTs can empower the lives of Africans and are driving entrepreneurship, innovation and income growth. The effect of ICTs on the African economy is impressive, but it is the way they are changing the everyday lives of Africans that is genuinely transformational.

The eTransform Africa report contains more than 20 detailed case studies of ICTs in action.

The case studies show, for instance, how mobile phones are being used to provide financial services in Kenya (M-PESA) and agricultural market information services in Ghana *(Esoko, see Box 1.1)*, how electronic filing of taxes in South Africa or sensor-based irrigation systems in Egypt are revolutionizing traditional practices, and how ICT tools are helping Africans face up to new challenges, like climate change, or tackle ongoing issues, such as HIV /AIDS.

Furthermore, the wider use of ICTs in government is bringing more transparency and openness, for instance through Kenya's Open Data initiative (Rahemtulla *et al*, 2012) or the use of Twitter and Facebook to coordinate protests and inform international opinion as part of the Arab Spring (Dubai School of Government, 2011).

This growing social and economic dependence on ICTs brings new challenges, not least the need for infrastructure to become more robust and resilient, and for services to become more reliable.

Issues of cybersecurity and data protection will also come to the fore as security and trust become increasingly important.

BOX 1.1: ESOKO, A MOBILE PLATFORM TO SUPPORT FARMERS

esoko

Esoko is a pioneering mobile tool, developed first in Ghana and now being used in some 15 different countries in West and East Africa.

The application provides users with agricultural market information service (AMIS) such as up to date prices and their recent trends, weather forecasts and alerts, and crop production levels in order to help farmers to improve their productivity and sell their products at the right price, the right place and the right time.

Esoko has proved to have a significant impact on farmer's businesses. For example in Ghana, a randomized trial survey of farmers using the system compared with those not using it has shown 10 percent increases in revenues for maize, nuts and cassava. It also shows that only 14 per cent of Esoko users report not having access to credit compared to 47 per cent for non users.

Esoko also reached its sustainability threshold of 10,000 subscribers overall or 2,000 subscribers in any country in most of the markets it serves, sometimes in as little as one year.

But the market for AMIS is becoming crowded with mFarm (in Kenya) and Manobi (primarily in francophone West Africa among Esoko's African competitors (Kelly and Pehu, 2011).

Currently Esoko has an edge over other entrants due to its early start, its wider coverage and its user-friendly interface. Because it uses standard mobile services that are available on even the cheapest handset, like Short Message Service (SMS) and Unstructured Supplementary Service Data (USSD) rather than mobile applications, that are specific to particular operating systems and devices, it currently has a wider reach.

But this may prove a limiting factor as more smartphones enter the market and users demand visual applications that work on touch screen devices.

Source: Esoko (www.esoko.com) and Subervie, 2011.

FROM ACCESS to APPS

It's not about the phone or the computer; it's about the applications and the information they deliver.

ICTs now offer major opportunities to advance human development – from providing basic access to education or health information to making cash payments and stimulating citizen involvement in the democratic process.

Phones, computers and websites are powerful tools but it is individuals, communities and firms that are driving change. Mobile phones and the internet are helping to release the dynamism of African society.

State-owned monopoly telephone companies were, for too long, a barrier to African ingenuity – owing to waiting lists, high prices and unreliable services – but now a thriving local ICT sector is part of the solution, not the problem.

In many of Africa's largest cities, smartphones can now be obtained for under US$100, and fake phones, sold under-the-counter, are even cheaper. Today's smartphones have the equivalent computer power of a PC that would have cost over US$3,000 a decade ago. With cheap data packages and free Wi-Fi, smartphones can be used to start a business, or to find a job.

Africa's mobile phone subscriptions will grow to over a billion well before the end of this decade, and the actual phones themselves will be replaced and upgraded.

Few phones are thrown away and there is a thriving second-hand market, which partly explains why mobile phone subscriptions (i.e. SIM cards) outnumber actual users. But the phones in use in Africa are becoming more powerful and the uses to which they are put are becoming more sophisticated (Rao, 2012).

One indication of this is the wide range of mobile applications now being developed locally *(see Box 1.2)*.

BOX 1.2: IT'S NOT JUST M-PESA: A SELECTION OF AWARD-WINNING AFRICA-DEVELOPED ICT APPLICATIONS

Although Safaricom's M-PESA mobile money application continues to gain a lot of international press attention, there are a number of other locally developed ICT applications that have been winning awards recently.

Those shown below are just a sample.

Application (country / website)	**Short description**
AkiraChix (Kenya) www.akirachix.com	AkiraChix is an association that inspires and develops women in technology through networking, training and mentoring. Among the applications it has developed is Magme, an open source project for visual accessibility, developed for Computer Aid International.
mFARM (Kenya) www.mFarm.co.ke	An agribusiness company and mobile agricultural information service, incubated by infoDev's m:Lab East Africa. M-Farm provides price information over SMS and provides a bulk buying service for farmers.
Etisalat Mobile Baby (Tanzania) www.etisalat.ae	First launched in Tanzania, and now in the process of being rolled out more widely, the Mobile Baby application helps to combat maternal mortality by creating an ecosystem of medical healthcare professionals, NGOs, pharmaceutical and insurance companies, and government agencies to support pregnant mothers.
MafutaGo (Uganda) http://mafutago.appspot.com	A mobile application that displays the locations, prices, and special offers or nearby gas stations.
MedAfrica (Kenya) http://m.medafrica.org	A mobile health platform that provides symptom checkers, first-aid information, doctor and hospital directories together with relevant alert services.
Horticultural Remote Irrigation system (Niger) www.tele-irrigation.net	Remote control of irrigation system from mobile handset.

Source: Author compilation based on country case studies at www.eTransformAfrica.org.

What's more, innovations that begin in Africa are now spreading elsewhere. M-PESA is being used in at least six countries outside Kenya and the Etisalat Mobile Baby service, pioneered in Tanzania, is now being rolled out in nine other countries during 2012. Ideas that originate in Africa are also spreading.

For instance, several African operators, including Safaricom in Kenya have made the informal practice of "flashing" (i.e. making an outgoing call but hanging up before it is answered, as a way of triggering a return call) into a service by making free "call me back" SMS messages available to subscribers.

As the spread of mobile phones begins to exceed the scope of electrification, paid recharging services are also becoming more widely available.

The growing popularity of mobile phones in Africa is driving demand for bandwidth. At the start of the new millennium, the entire continent of Africa had less international internet bandwidth than the tiny country of Luxembourg (ITU, 2000).

As recently as five years ago, the situation did not look promising, but a new generation of international cable projects has transformed the situation, at least for international connectivity, as more than a dozen submarine cable projects have connected Africa to the other rest of the world.

Some 68,000 km of submarine cables had been rolled out by, and a further 92,000 km are planned.

The World Bank is involved in a number of these investments through its US$0.5 billion Regional Communication Infrastructure Program (RCIP). The available capacity has increased rapidly from 80 Gbps in 2008 to about 15.7 Tbps projected by 2012 in Sub-Saharan Africa alone (ITU, 2010).

This infrastructure represents the beginning of a new era of connectivity for the continent, promising greater international bandwidth and more reliable connectivity, as seen in Mauritius where the second connection to a submarine cable in 2009 led to an 83 per cent increase in international bandwidth capacity in just one year (Mauritius National Computer Board, 2011).

Getting the cables to the shoreline helps, but more investment is required to bring connectivity to users. Some 676,739 km of backbone infrastructure had been rolled out by September 2011, with new fibre being laid at a rate of 138 km per day[5], using fibre to establish national backbones and to connect landlocked countries with the submarine cables as well.

Numerous African countries are now seeing rapid development of their national backbone networks through private sector investment, public finance or a mixture of both.

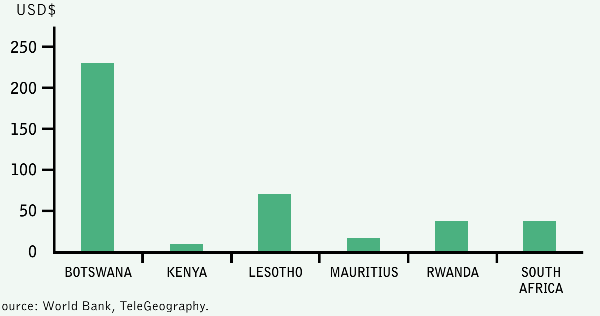
For example, Rwanda is connected to two cable landing stations through Tanzania to Dar es Salaam and also to Mombasa in Kenya. East African states are to spend US$400m on an optical fibre backbone to link Tanzania, Uganda, Kenya, Rwanda and Burundi with more than 15,000km of cable[6].

But not everywhere is benefitting. The world's newest state, South Sudan still has no fibre access to international cables and must rely upon very small apertures terminals (VSATs) for satellite access to the rest of the world. Plans to lay cable are hindered by the slow pace of demining, the lack of paved roads and an uncertain regulatory situation.

Even when both international and national connectivity is in place, the impact on users is only noticeable if there are improvements in broadband speed and reliability and a reduction in the price paid per MB. Kenya is a striking example: the connection to the TEAMS, EASSy and SEACOM cables in 2009-10 led to a wholesale price decrease of almost 70 per cent in one year (ITU, 2010) *(Figure 1.4)*.

FIGURE 1.4: UNEQUAL BROADBAND

Cost for 1GB/Month in USD (October 2011)



Source: World Bank, TeleGeography.

Lower retail prices for consumers are also filtering through as seen with the announcements of tariffs reduction for broadband by Airtel and MTN (Rao, 2012) and, with help from the regulator, in South Africa[7].

Broadband speeds are improving too. Ghana ranks as Africa's broadband speed star with an average household download speed of 5.29 Mbps in April 2012. Although this ranks only 70th among global economies, and is only slightly over half the global average of 10.17 Mbps, it is still a noticeable improvement on recent years.

Behind Ghana, Libya, ranks 75th with 5.13 Mbps, while Angola, Kenya, Zimbabwe and Madagascar also make the global top 100[8].

ICTs can ease cross-border communications, financial transactions, and sharing of data and information and are having a catalytic impact upon regional integration and trade facilitation.

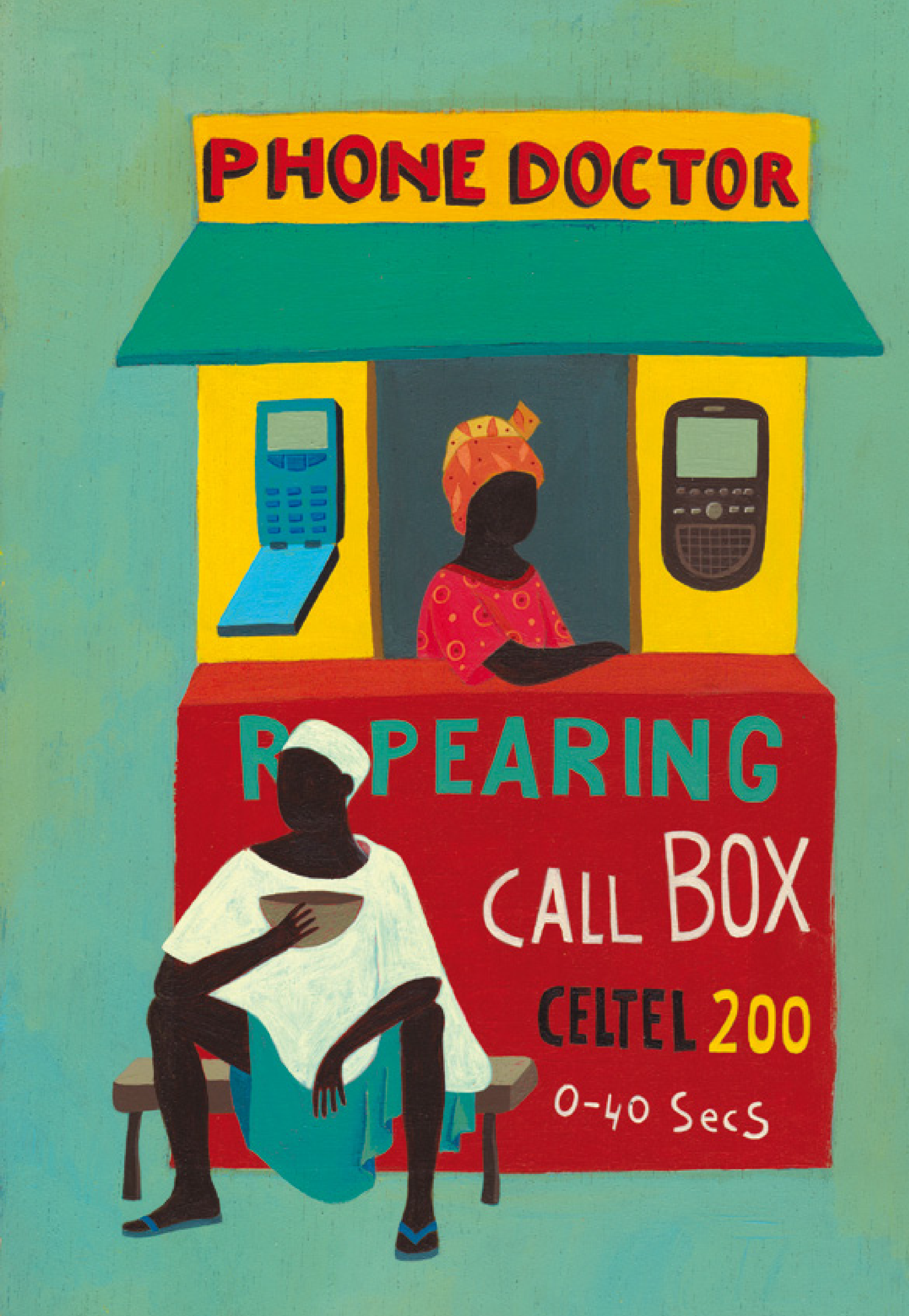
Until recently it was cheaper to call America or Europe from Africa than to call a neighbouring country. Such disparities hindered cross-border regional trade. But, as noted above, the internet bandwidth available to Africa's one billion citizens grew 20-fold between 2008 and 2012.

These electronic highways will provide the trading routes of the future supporting Africa to improve its trade performance both within the continent and between the continent and other world regions.

One consequence of this is that an increasing share of Africa's international traffic is shifting onto IP-based (Internet Protocol) networks. This is happening both as individual subscribers use popular voice over IP (VoIP) services such as Skype, even where it is not legal to do so, and as operators themselves take advantage of the lowcost transit arrangements for their international traffic.

As an increasing share of traffic travels over IP networks and terminates on mobile phones, thus bypassing the bilateral accounting rate system, the price of terminating a call will tend to be the same, irrespective of origin.

This is reducing the disparities that used to exist between interregional and international traffic. But in this new world of globalized pricing, geography and policies still matter.


PHONE DOCTOR
R PEARING
CALL BOX
CELTEL 200
0-40 Secs

For instance, the Union of the Comoros is disadvantaged by geography, as its population of fewer than one million means that it is bypassed by international submarine cable systems. Thus to terminate a Skype call there costs 66 US cents per minute, almost ten times higher than in more populous South Africa.

By contrast, Djibouti is advantaged by geography, because of its situation at the entrance to the Red Sea, through which many international submarine cables pass. But it is disadvantaged by market liberalization.

Djibouti Telecom's monopoly over incoming international traffic means that to terminate a Skype call there costs 39 US cents per minute, or three times the rate of more liberal Egypt, at the other end of the Red Sea[9].

> **Such price differences matter because there is increasing competition among countries to compete for internationally footloose investment and to be the "next India" in the global market for ICT-based services, estimated at over US$500 billion** (Sudan *et al*, 2010).

Kenya, in particular, through the Kenya ICT Board, has set itself the goal of becoming "Africa's most globally-respected knowledge economy" by 2017, the end-point of its 2012-2017 National ICT Masterplan (Kenya ICT Board, 2012). It plans to create 50,000 jobs in ICT industries, development and innovation in 500 new organizations.

In particular, through a business process outsourcing (BPO) operation at Konza City, it hopes to attract increased foreign direct investment in this field. Mauritius has similarly ambitious plans.

> **In its national ICT Strategic Plan, 2011-2012 (Gilwald and Islam, 2011), the government sets outs its vision to make ICT the "fifth pillar" of the national economy, with offshore ICT services to contribute some 7 per cent of national GDP.**

The report on the competitiveness of the ICT sector carried out for this study (Excelsior and TNO, 2012, p 2) argues that reducing the cost of access for mobile and broadband is the most important single step a country can take for enhancing ICT competitiveness.

Mauritius and Kenya are better placed that most African economies to achieve this. Kenya has the lowest price and Mauritius the fifth lowest price for mobile service in Africa according to one recent survey (Research ICT Africa, 2012), with the cost of the OECD low-user mobile basket being just US$1.90 in Kenya and US$2.39 in Mauritius for a basket of 30 calls and 100 SMS per month.

In the case of Kenya, this is a result of regulatory intervention to set a mobile termination rate which is the lowest in Africa at 1.44 shillings (1.68 US cents) per minute (Communications Commission of Kenya, 2010).

The deployment of ICTs and the development of applications must be rooted in the realities of local circumstance and diversity. Despite the optimism caused by Africa's ICT revolution, there is no one-size-fits-all model, and services that prove popular in one country may fail elsewhere.

National ICT strategies must be developed locally, building upon consultative stakeholder processes and adapted to local circumstances. The private sector will drive the investment, and the influx of capital has been boosted recently, in particular by significant investments from Chinese equipment manufacturers.

But this may not be enough to ensure competitive markets, or to reach rural areas. Furthermore, there are still whole countries, such as the newly independent South Sudan, that are connected to the outside world only through slow and expensive satellite links.

One recent approach to the problem of market failure is via public private partnerships (PPPs), i.e. agreements between the government and private organizations to develop, operate, maintain and market a network by sharing risks and rewards.

The advantages to the private sector include reducing capital risk while for the government there is reduced operational risk. PPPs in Africa's ICT sector can take several forms:

- A cooperative model, such as the Burundi Backbone System (BBS), where a World Bank loan, made via the government, has been used to finance the construction of a national fibre backbone network jointly operated by 17 private operators and ISPs, operating under a self-regulation model. This scheme addresses the shortage of fixed infrastructure in Burundi which, like many African countries, is dominated by wireless operators.

- A special purpose vehicle (SPV) share ownership model, as applied in Sao Tome e Principe, Liberia, Sierra Leone and elsewhere, in which the government as well as private investors are stakeholders.
- A bulk purchase model, applied in Rwanda and Malawi, where World Bank investment has been used as an anchor tenant and to aggregate demand, without any government ownership.

An older approach to market failure in the telecommunication sector involves using universal service funds (USF), usually run by the regulator or a special body, as a way of recycling the profits of the incumbent operator or from spectrum auctions and licence fees to subsidize network roll-out and to reach rural and remote areas.

Following a push in the late 1990s and early 2000s, most African countries now have a USF or, like Botswana, are planning to create one.

> **But while USFs in Africa have proved efficient at accumulating cash, through levies on operators, they are less good at disbursing it, with as much as three-quarters remaining unspent according to one recent study** (GSMA, 2006).

In part, this is because mobile network roll-out has largely occurred without a need for subsidy (Williams *et al*, 2011). Universal Service obligations placed on private operators, when added to other taxes, such as spectrum fees, sales taxes, profits taxes, equipment import taxes and increasingly taxes on incoming international calls (A. T. Kearney, 2011), can place a high burden on the local industry.

And when funds accumulate without being spent, it can sometimes prove a temptation for fraud. An opportunity now exists to revise the mandates of these USFs so that they can be used for broadband network roll-out, both mobile and fixed, not just voice, and for encouraging the development and deployment of applications.

THE ROLE OF GOVERNMENTS

Governments have an important role to play, in creating an enabling environment and in acting as a role model in adopting new innovations and technologies.

Creating a vibrant environment where useful information is readily available to help entrepreneurs, farmers, health workers and environmentalists, for example, make better decisions in their daily activities requires a holistic approach and several supporting inputs or pillars.

The key supporting pillars for such an environment includes adequate information and communications infrastructure, digital literacy and nurturing an ICT-skilled workforce that would propel emerging efforts to leverage ICTs to the next level to achieve sustainability and replicability. Taking a holistic view on a sector is a significant challenge for any government, regardless to how developed a country may be.

Yet, as shown in the following chapters, African governments have made significant steps in building these pillars.

In terms of infrastructure, much of Africa's investments, private and public, have been in increasing network capacity or bandwidth so that the quality of internet or broadband service is available to more countries on the African continent.

Infrastructure providing international connectivity *(see Figure 1.5)* requires large upfront investments which the private sector cannot shoulder. In these instances, public and donor funding are being leveraged. For example, in 2010 Eastern and Southern Africa was the only major region in the world not connected to the global broadband infrastructure by fibre optic cables.

Twenty countries were reliant on expensive satellite connectivity to link with each other and the rest of the world.

> African governments and development financial institutions came together with the private sector to deploy the Eastern Africa Submarine Cable System (EASSy), a submarine fibre-optic cable running 10,000 km along the east coast of Africa, connecting South Africa, Mozambique, Madagascar, Tanzania, Kenya, Somalia, Djibouti, Sudan, Comoros and Mayotte.

Governments also participate directly in infrastructure investment, as the government of Botswana did when creating an alternative fibre route to the coast via Namibia. Hence, most of the international connectivity issues are being addressed.

However, in order for ICT services to be accessible to more Africans, connectivity within the continent needs to be further improved.

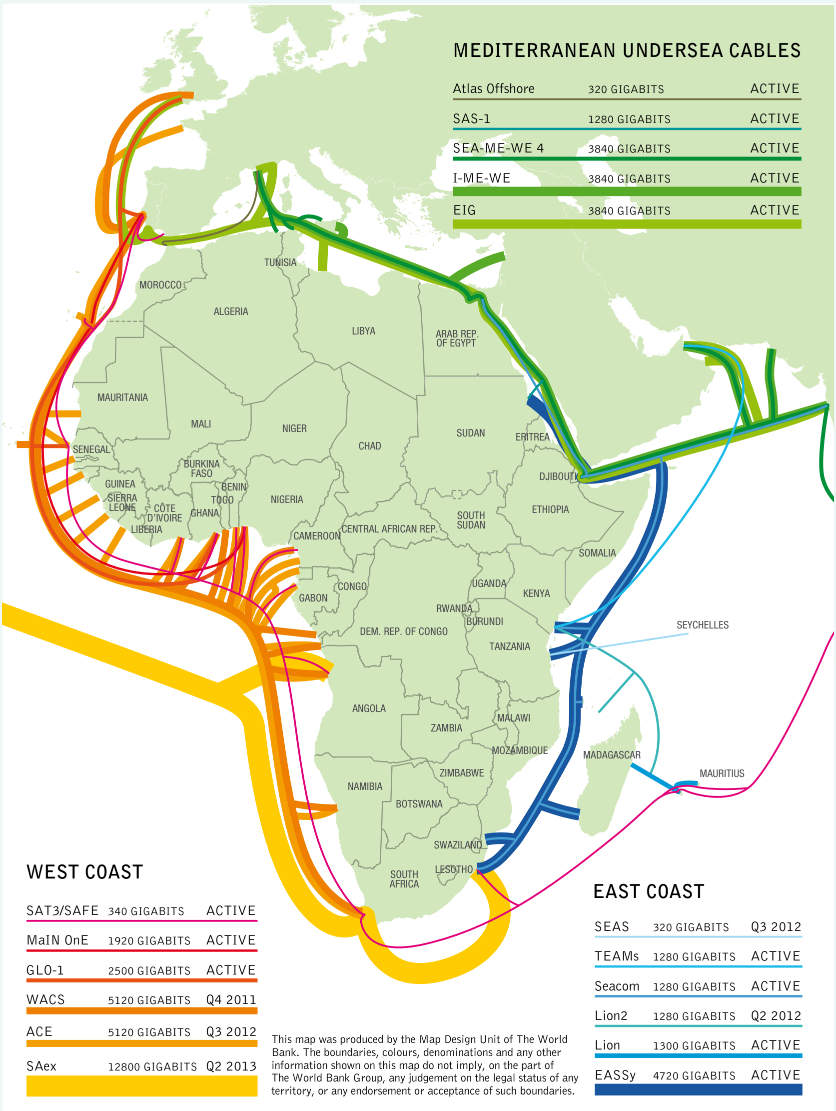
> And the government's larger role lies in creating an enabling environment – issuing licences, making available rights of way, managing spectrum, mandating infrastructure sharing and interconnection and so on – that allows a liberalized market to thrive and bring down price of service for the African consumer.

Beyond that, governments can serve as an anchor user for faster networks and migrate their own services and data online.

When the Kenyan government opened up its databases and put public data online, including exam results, poverty and census data, it provided a major demand driver for mobile broadband, and stimulated further investment in that country's networks (Rahemtulla, 2011).

FIGURE 1.5: RECONNECTING AFRICA

Undersea cable systems serving Africa, actual and projected, April 2012



Source: http://manypossibilities.net/african-undersea-cables.

Similarly, in Ethiopia, government and donor sponsorship of eHealth initiatives is helping to finance network investment (Vital Wave Consulting, 2012a).

> **In order for people to fully leverage and benefit the new ICT capacity that is increasingly becoming accessible in Africa, attention on improving digital literacy rates and ICT skills will become more and more important. ICT can be an engine of growth when it is embedded into the daily activities of people – whether in agriculture, education, financial services, health or delivery of public services.**

The challenge to raise digital or ICT literacy is likely to be a greater challenge than deploying infrastructure and creating robust and innovative markets for private operators to thrive in. Increasing ICT skills requires a number of factors.

Throughout this report Kenya is highlighted as having many of the drivers in place including improved access to broad-based primary through to graduate level institutions, a large diaspora who return to the country pursuing opportunities in entrepreneurship, and high exposure to international institutions owing in part to its role as the African base for many multinational companies and international organizations.

Creating an enabling environment in which the ICT sector can thrive and stimulating demand for services are important roles but, in the context of transformation, governments need to do more.

In many of the sectors covered in this report – such as climate change adaptation, education, health or directly modernizing the operations of government – government is the leading investor and provider of services.

It is essential, therefore, that there is policy coherence between the government's objectives for the ICT sector and its objectives for the user sector (OECD and infoDev, 2009). This is also true in other areas where the government provides regulation, such as financial services.

Rules governing access to the SIM card are important in opening up and harmonizing mobile money (Makin, 2009) while financial regulations, such as those relating to money laundering, provision of interest or lending, may also need to be reviewed.

Stakeholder COLLAB-ORATION

Effective use of ICTs will require cross-sectoral collaboration and a multi-stakeholder approach, based on open data and open innovation.

Valuable and sustainable ICT applications are most likely to develop within an environment that encourages experimentation and collaboration between technologists, entrepreneurs and development practitioners.

Often, stakeholders may combine their interests in communal projects, such as the creation of the Cape Town Internet Exchange. The recent flowering of local ICT development clusters (LIDs) – such as iHub and NaiLab in Kenya, Hive CoLab and AppLab in Uganda, Activspaces in Cameroon, BantaLabs in Senegal Kinu in Tanzania or *info*Dev's mLabs in Kenya and South Africa – is helping to create new spaces for collaboration, training, applications and content development, and for pre-incubation of firms *(Box 1.3).*

Stakeholder cooperation is vital also for providing initial fund for pilot programmes and trials.

For instance, among some 92 mobile applications around the world identified in a recent World Bank study (Qiang *et al*, 2012), only 15 per cent had commercial or private funding as their primary source of income. Donors provided the primary funding source for over half the programmes, and governments and corporate social responsibility programmes provided the rest.

BOX 1.3: LOCAL ICT DEVELOPMENT CLUSTERS

*iHub_

Located on the 4th floor of a modern office building in Nairobi, where a sunny balcony gives views over the bustling city, Kenya's *iHub provides a space where young entrepreneurs can network, while joining focus groups discussions, receiving mentorship, and chatting to venture capital investors.

Apart from having the best coffee shop in town, its other big attraction to the nation's digerati is that it offers a fast broadband connection, which is the quickest way to set up a business in Kenya.

Established in March 2010 by Erik Hersman, a renowned blogger, TED fellow and entrepreneur, it now has over 2,000 members benefitting from the co-working space.

It's not quite a business incubator, though there are two of those in the same building, with Nailab next door and infoDev's m:Lab East Africa one floor below. Rather, it might be described as a "pre-incubator" where good ideas come to take shape and be turned into commercial prospects.

The young technologists who crowd into the place are able to get the necessary support to develop their ideas into marketable products.

*iHub is part of a much larger technology movement in Kenya and in Africa. Two important predecessor organizations that helped shape *iHub are Skunkworks, an informal grouping of mobile applications developers, and Ushahidi, a non-profit software company co-founded by Erik Hersman, that develops free and open source software for information collection, visualization and crisis mapping.

Ushahidi was born in the aftermath of the disputed elections in early 2008 and has subsequently been used in over ten countries, primarily to map critical information to aid disaster recovery efforts such as in the Haiti earthquake in 2010 and the Japan earthquake in 2011.

*iHub is now, in turn, giving birth to other spin-offs, such as *iHub research, and Akirachix, both female-run start-ups.

*iHub's success has been widely followed elsewhere. Africa continues to see the emergence of technology labs in Kampala (Hive CoLab), Dar es Salaam (Kinu), Dakar (Bantalabs), Thswane (mLab Southern Africa) and Douala (ActiveSpaces) as well as new initiatives that are coming online in Accra and Lagos.

The labs serve as an accessible platform for bringing together technologists, investors, tech companies and hackers in the area. Each lab shares a focus on young entrepreneurs, web and mobile-phone programmers and designers.

The technology movement in Africa is being driven by the youth who, through these labs, have the means and foresight to apply new and accessible technologies to solve immediate problems and find useful solutions for common problems. Many of the youth are in tune with the problems and challenges that are faced in the communities in which they live.

The labs conduct workshops among themselves to share experiences and brainstorm ideas, and use digital technology to create tech communities that have no borders.

This approach to nurturing technology is quite different to the top-down approach that had been tried in the early 2000s of building science parks, or government run initiatives to promote business process outsourcing.

The difference this time is that these initiatives are generally bottom-up and community driven. They may receive the blessing of government but are not dependent upon it for providing opportunities for training and capacity building.

Source: Authors, and adapted from http://ihub.co.ke/pages/about.php and http://afrilabs.com/about (both accessed 20/4/2012) and White, 2011.

M-PESA, the mobile money application in Kenya, is perhaps Africa's best known mobile application, and now a huge commercial success.

> **But even M-PESA required an initial boost of donor cash, from UKaid. It is now supported by a large ecosystem including the mobile operator (Safaricom), conventional banks (including Equity Bank) and a network of 27,000 agents across the country.**

In the specific case of mobile money (Vital Wave, 2012b), the study carried out for this report makes the following recommendations to donors:

- Reduce private sector risks by underwriting the risks of "first movers";
- Reduce shared costs by underwriting supporting systems that are common all financial service players; and
- Leverage limited donor resources to drive private and consumer action towards desired financial service sector goals.

Effective cooperation will require a spirit of openness and transparency on the part of all stakeholders. This is exemplified in the case of agriculture, also profiled for this report (Deloitte, 2012), where the value chain that links consumer and producer is extensive, and often crosses continents. This sector report makes the following recommendations to donors:

- Develop self-sustaining funding solutions;
- Focus on community ownership;
- Make eAgriculture technology robust and accessible;
- Focus on capacity-building; and
- Develop country-specific agriculture strategy maps.

This latter recommendation, in particular, will require transparency and data exchange between many different organizations, including those holding satellite imagery, agricultural production statistics, soil and terrain maps, agricultural market information systems and so on.

Promoting a culture of open data requires a framework, such as that provided by Kenya's Open Data Initiative, which makes available a centralized website where government departments can post data and users can easily find it (Rahemtulla, 2011).


NOKIA
Conecting Peop

Another useful data framework is provided by a national spatial data infrastructure (SDI) which provides the basic set of digital coordinates for geographical information on which specific datasets and geographical information systems (GIS) can be overlain.

Many GIS have considerable financial value, for instance for navigation or for mining. Others have great social value, for instance, data visualizations showing the impact of climate change or land use.

But without the backbone of a national SDI, the cost of constructing such overlays rises considerably and their usefulness, for the interchange of data, is diminished. A national SDI is therefore a classic example of a public good which is best created through collaboration between public and private stakeholders.

The costs are often quite modest – a feasibility study for creating a national SDI in Uganda, for instance, puts the cost at about US$3.5m, which is relatively small in comparison to government departmental budgets (Geo-Information Communication and ESRI Canada, 2011) – and the benefits can be long lasting.

But the problems of coordination can be huge as an effective SDI requires the participation of so many different stakeholders.

> **Africa is still at the beginning of its growth curve and, so far, most ICT applications have been pilot programmes. Now is the time for rigorous evaluation, replication and scaling up of best practice. The research carried out for this study has highlighted a number of success stories and has shown examples of programmes that could be scaled up and replicated elsewhere.**

But there is a lack of systematic monitoring of outcomes, and cost-benefit analyses of investments are rare *(Box 1.4)*.

Indeed, one of the surprises coming out of this study is how little systematic impact evaluation has been carried out and published.

Nevertheless, the evidence that has been marshalled in these studies, the most comprehensive carried out to date, does point to the potential for effective roll-out and a period of rapid growth ahead.

BOX 1.4: AFRICAN VIRTUAL UNIVERSITY

AFRICAN VIRTUAL UNIVERSITY
UNIVERSITE VIRTUELLE AFRICAINE
UNIVERSIDADE VIRTUAL AFRICANA

Founded in 1997, the African Virtual University (AVU) is a Pan African Intergovernmental Organization whose aim is to significantly increase access to quality higher education and training through the innovative use of Information and Communication Technologies.

It has its headquarters in Nairobi, Kenya with a regional office in Dakar, Senegal. The AVU has graduated 43,000 students across Africa and established a wide-ranging network of Open Distance and eLearning institutions in over 30 countries in Sub-Saharan Africa.

Since its inception, the AVU has benefited from donor resources and, in January 2012, AVU received US$15.6 million from the African Development Fund for the second phase of the AVU Multinational Project.

This grant is intended to enable participating African countries and institutions to improve their infrastructure and programmes, and provide technical assistance on their ICT in education policies and strategies. The grant will also support research and development, open educational resources, and gender mainstreaming through the award of scholarships to women enrolled in science programmes.

The AVU would benefit from a more rigorous evaluation to identify success stories and what programmes might be scaled up or reformed.

Source: Authors and http://www.avu.org/News/the-african-virtual-university-receives-a-grant-of-usd156-million-from-the-african-development-bank-group-to-help-increase-ict-in-education-support-to-african-countries.html.

Africa was once an ICT laggard, but is now becoming an ICT leader. In virtually every area of ICT – mobile, broadband, international bandwidth, PC penetration – Africa is closing the gap with the rest of the world and in some areas, like mobile financial services, it is setting the pace.

The studies in this report document a huge amount of local-level innovation, both in adapting applications developed in the rest of the world to African circumstances and in developing new home-grown applications. But there is insufficient south–south learning.

It remains the case that African leaders are more likely to look outside their continent for role models than to look at the successes happening next door.

Ironically, south–south learning is already happening in Africa, but not so much among its leaders as among its young people.

Social networks, like Twitter, Facebook and Africa's home-grown MXit *(see Box 1.5)* provide a platform for informal learning to take place in an environment of fun and experimentation.

It is a commonplace to say that Africa's greatest strength is its youth, but in this case it is really true.

> **As the generation of Africans that have grown up with mobile phones and social media enter the labour market and government, they will bring with them the habits of information sharing that they have grown up with. That will be a real eTransformation.**

BOX 1.5: MXIT, HOME-GROWN AFRICAN SOCIAL NETWORKING

MXit, a South African social network, has become the premier social network in its home country and has expanded to reach more than 30 million users across Africa and beyond with 40,000 new users joining every day. Overall, MXit has 50 million users registered in more than 120 countries.

In the first half of 2011, MXit registered 24 million users just in Sub-Saharan Africa compared to less than 19 million for Facebook, making MXit the biggest social media network in Sub-Saharan Africa.

Success has been enhanced by the high level of activity of its users compared to other social networks, with an average MXit user spending 45 hours per month on the site.

Source: www.mxit.com and newspaper reports.

For the complete report and a list of references used within the article, please visit: http://siteresources.worldbank.org/EXTINFORMATIONANDCOMMUNICATIONANDTECHNOLOGIES/Resources/282822-1346223280837/MainReport.pdf.

1. GSMA, "Africa now the world's second largest mobile market, reports GSMA", November 2011, http://www.gsma.com/publicpolicy/wp-content/uploads/2012/04/africamobileobservatory2011-1.pdf.
2. "Digital Africa", Intelligent Life, http://www.economist.com/node/18529875.
3. Wireless Intelligence (2012), https://www.wirelessintelligence.com.
4. For instance, Orascom Telecom of Egypt, which has holdings in seven African countries was acquired by VimpelCom of Russia, via Wind Telecom, in 2005. The African company MSI Cellular Investments, which later became known as Celtel was acquired by Zain and later by Bharti Airtel of India in 2010. MTN, with headquarters in South Africa and operations in 17 African economies, remains the largest African-based operator.
5. Hamilton Research, "Africa's fibre roll-out", http://www.africabandwidthmaps.com/?p=2572.
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8. http://www.netindex.com/download/allcountries/, speeds retrieved on 14 April 2012, with average speeds being a rolling mean over the previous 30 days.
9. Skype Out tariffs are available at: http://www.skype.com/intl/en-us/prices/payg-rates/. Skype is used in this comparison because it publishes rates for all countries on its public website.

Source: World Bank www.worldbank.org, "The Transformational Use of Information and Communication Technologies in Africa", published in 2011.