Platinum
CAPITAL LIMITED

Appendix 4D

Half Year Report

Company	**Platinum Capital Limited**
ASX Code	PMC
Half-Year Ended	31 December 2017
Previous corresponding period: Half-Year Ended	31 December 2016
ABN	51 063 975 431

Results for Announcement to the Market

	% Movement	$A'000
Total investment income	84.61%	68,015
Profit from ordinary activities after tax attributable to members	88.14%	45,019
Net profit for the period attributable to members	88.14%	45,019

This strong result validates the Investment Manager's well-tested, value driven and index-agnostic style. The Company has benefited from numerous individual positions that have generated excellent returns.

Despite the strong increase in both investment income and net profit, the Directors consider that pre-tax Net Tangible Asset Backing per share (NTA), after fees and expenses, combined with the flow of dividends is a better measure of performance of the Company. For the 6 months to 31 December 2017, the Company's pre-tax NTA increased from $1.63 per share to $1.79 per share. In addition, shareholders received 6 cents per share in dividends during the six month period ended 31 December 2017.

The compound annual appreciation of the Company's net assets to 31 December 2017 compared to the benchmark over 6 months, 1 year, 5 years and since inception (June 1994), based on the movement in net assets after fees, expenses and taking into account capital flows and assuming the reinvestment of dividends, is shown in the table below:

Investment Performance	6 months	1 year	5 years	Since inception
PMC's performance	14.12%	24.25%	17.27%	12.72%
MSCI AC World Net Index in $A	9.06%	14.77%	17.26%	6.91%

The investment returns shown are historical. You should be aware that historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited (PMC returns) and RIMES Technologies (MSCI returns). All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data.

Dividends

A summary of the key features of the dividend declared by the Board are summarised in the table below:

Interim dividend declared	4 cents per share fully-franked
Ex-date	23 February 2018
Record date	26 February 2018
The last date for receipt of election notices for the dividend reinvestment plan	27 February 2018
Payment date	13 March 2018

The interim dividend for the previous corresponding period was 4 cents fully-franked.

For the year ended 30 June 2017, a 6 cents final fully-franked dividend was declared on 17 August 2017.

The Company's ability to pay franked dividends is dependent on the Company paying income tax. At 31 December 2017, the Company had a franking account balance of 3.09 cents per share (including the 31 December 2017 tax liability), which resulted in a capacity to pay a possible maximum fully-franked dividend of 7.22 cents per share. The Board has a policy of dividend smoothing and does its best to ensure that there are sufficient franking credits available to pay fully-franked dividends in the future.

Shares on issue totalled 285,119,011 at 31 December 2017.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan is in operation and the interim dividend of 4 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded down to the nearest whole number) which the cash dividend would purchase at the relevant issue price.

The relevant issue price for the interim dividend will be at a 2.5 percent discount on the volume-weighted average price of the Company's shares traded on the Australian Securities Exchange (ASX), over the five business days subsequent to the date on which the Company shares cease to trade cum-dividend.

Further information

Refer to the attached Auditor-reviewed financial statements and financial information summary for financial data on the Company.

Joanne Jefferies
Company Secretary
20 February 2018

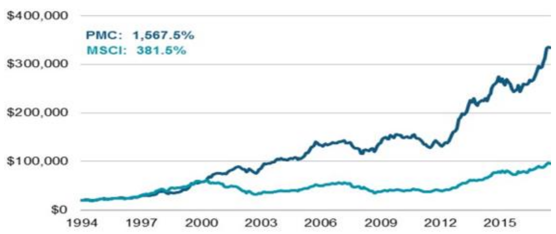
Platinum CAPITAL LIMITED

Financial Information Summary
31 December 2017

+14.12% 6 month performance[i] (based on Pre-Tax NTA)	4cps Interim fully-franked dividend	4.95% Dividend yield[ii]

Inception Date	29/06/1994
Market capitalisation	575.94mn
Share price	$2.02
Shares on issue	285,119,011
Total 6 month shareholders return[iii]	23.44%
Net Tangible Assets (pre-tax) per share	$1.7909
Net Tangible Assets (post-tax) per share	$1.6658
Net assets	$475.81m
Dividend profit reserve[iv]	36.49cps
Fully franked dividend capacity[v]	3.22cps

The Company's (PMC) pre-tax Net Tangible Assets (NTA) compound return since inception to 31 December 2017 was 12.72% per annum[i]. Cumulative performance since inception to 31 December 2017 on a pre-tax NTA is provided in the graph below.



5 year compound per annum pre-tax NTA returns since inception[i]		
	PMC	**MSCI**
Total number of 5 year periods to 31 December 2017[vi]	223	223
Periods where return was positive (% of total)	96%	61%
Periods where return was negative (% of total)	4%	39%
Largest 5 year gain (% compound per annum)	27%	23%
Largest 5 year loss (% compound per annum)	-2%	-8%
Periods > +8% compound per annum (% of total)	74%	39%
Periods where PMC return was > MSCI (% of total)	76%	NA

[i] The pre-tax NTA return is calculated after the deduction of fees, expenses, takes into account any capital flows, and assumes the re-investment of dividends.
[ii] Dividend yield is based on the June 2017 final dividend of 6 cents per share and 2018 interim dividend of 4 cents per share and the share price as at 31 December 2017.
[iii] Based on share price movements and the dividend paid during the period, which was the 2017 final dividend of 6 cents per share.
[iv] Dividend profit reserve includes transfer of the 2018 interim profit after tax and after providing for the 2018 interim dividend of 4 cents per share.
[v] This is the maximum fully-franked dividend that can be paid based on the franking credit balance as at 20 February 2018 after providing for the 31 December 2017 tax payable and the 2018 interim dividend of 4 cents per share.
[vi] Commencing each month since inception to 31 December 2017.

Source: Platinum Investment Management Limited (PMC returns) and RIMES Technologies (MSCI returns). All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data.

The investment returns shown are historical. You should be aware that historical performance is not a reliable indicator of future performance.

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Platinum Capital Limited

ABN 51 063 975 431

Interim Financial Report – for the half-year ended 31 December 2017

Platinum Capital Limited
Corporate directory

Directors	Bruce Coleman Richard Morath Jim Clegg
Company secretary	Joanne Jefferies
Investment Manager	Platinum Investment Management Limited (trading as Platinum Asset Management®) Platinum Investment Management Limited neither guarantees the repayment of capital nor the investment performance of the Company
Shareholder liaison	Liz Norman
Registered office	Level 8, 7 Macquarie Place Sydney NSW 2000 Phone 1300 726 700 (Australia only) Phone 0800 700 726 (New Zealand only) Phone +61 2 9255 7500 Fax +61 2 9254 5555
Share registrar	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Phone +61 1300 554 474 Fax +61 2 9287 0303
Auditor and taxation advisor	PricewaterhouseCoopers
Securities exchange listing	Platinum Capital Limited shares are listed on the Australian Securities Exchange (ASX code: **PMC**)
Website	www.platinum.com.au/Our-Products/All-Products/Platinum-Capital-Limited

The Directors present their report, together with the interim financial statements of Platinum Capital Limited (the "Company") for the half-year ended 31 December 2017.

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

Bruce Coleman - Chairman and Non-Executive Director
Richard Morath - Non-Executive Independent Director
Jim Clegg - Non-Executive Independent Director

Principal activities
The principal activity of the Company during the half-year was the investment of funds into international securities, which were perceived by the Investment Manager, Platinum Investment Management Limited, to be undervalued.

Operating and Financial Review
For the half-year ended 31 December 2017, the operating profit for the Company after income tax expense was $45,019,000 (31 December 2016: $23,929,000).

The operating profit for the Company before income tax expense was $64,320,000 (31 December 2016: $34,013,000). Income tax expense for the period was $19,301,000 (31 December 2016: $10,084,000).

This strong result validates the Investment Manager's well-tested, value-driven and index-agnostic style. The Company has benefitted from numerous individual positions that have generated excellent returns.

The Directors consider that pre-tax Net Tangible Asset Backing per share ("NTA"), after fees and expenses, combined with the flow of dividends is a better measure of performance of the Company. For the 6 months to 31 December 2017, the Company's pre-tax NTA increased to $1.79 per share from $1.63 per share. In addition, shareholders received 6 cents per share in dividends during the half-year ended 31 December 2017.

For the 6 months ending 31 December 2017, Company's pre-tax NTA, after fees, expenses, taking into account capital flows, and assuming reinvestment of dividends, increased by 14.12% versus 9.06% for the benchmark Morgan Stanley Capital International All Country World Net Index (MSCI) in $A terms. This represents an outperformance of more than 5% with positive attribution particularly from North Asian stocks. In terms of sector returns, Technology and Financials were the leading performers.

Over 5 years, despite maintaining effective cash levels of between 15% and 30%, the Company's return of 17.27% compound per annum, after fees and expenses, was in line with the MSCI return of 17.26%. Careful stock selection also more than compensated for minimal exposure to the strong US bull market, enabling the Company to record its best 5 year compound return, for any 5 year period to 31 December, since 2003.

With regards to outlook, the Investment Manager reports that "…we like the companies we are finding in Asia in particular, as they typically offer above average growth prospects and yet are valued on lower multiples of earnings than those in the western hemisphere. While acknowledging that historically these markets have been prone to the influence of foreign flows, the weakening pattern of the US dollar suggests that this factor may be less significant in future. As we have highlighted over the last 18 months, Asia is creating its own ecosystem with ever diminishing dependence on the large Western economies. The likely repricing of borrowing caused by US Fed tightening is an evident obstruction, but, like earlier tightening cycles, the relative pace of earnings growth could be the deciding factor for individual investment opportunities. Some of the growth themes with which we tag individual stock ideas are almost immune from broader economic influences and this gives one confidence that they can deliver strong earnings almost independent of their host economies."

The Company continues to have an extremely strong balance sheet with few liabilities.

Dividends

The Directors transferred the 31 December 2017 interim operating profit after income tax to the dividend profit reserve.

On 20 February 2018, the Directors declared 4 cents per share ($11,405,000) 2018 interim fully-franked dividend payable on 13 March 2018, which will be paid out of the dividend profit reserve. After the payment of the 2018 interim dividend, the balance in the dividend profit reserve is $104,035,000, which translates to 36.49 cents per share, based on the current shares on issue. For the comparative interim reporting period, a fully-franked dividend of 4 cents per share ($9,453,000) was paid.

The dividend reinvestment plan (DRP) is in operation and a (2.5 per cent) discount to the relevant share price applies.

Absolute Returns

As illustrated in the Financial Information Summary, the Company has an outstanding record of delivering absolute returns, largely as a consequence of containing losses during market downturns. Over all of the rolling five-year periods, commencing each month since inception, the Company has achieved positive returns far more frequently than the MSCI AC World Net Index $A and with nearly double the number of periods exceeding a return of 8% per annum compound. Moreover, the Company has recorded considerably fewer negative return periods and much smaller losses when negative returns did occur, compared to the benchmark.

Since inception on 29 June 1994, the Company has achieved a return after all fees and charges of 12.72% compound per annum (p.a), thereby outperforming the MSCI benchmark over that time by 5.80% compound p.a[1].

Capital Management

The Company's Capital Management Policy, as previously advised, is outlined below.

The Board will give active consideration, as appropriate, to enhancing shareholder value through:

- the management of the level of dividends to shareholders,
- the issue of shares by methods such as rights offers, share purchase plans or placements, or
- the use of share buy-backs.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations *(Rounding in Financial/Directors' Reports)* Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with this Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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[1] The investment returns are calculated using PMC's pre-tax Net Tangible Asset Backing per share for the specified period. Returns are calculated after the deduction of fees and expenses, take into account any capital flows and assume the reinvestment of dividends. Please note that the results are not calculated from PMC's share price. The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited (PMC returns) and RIMES Technologies (MSCI returns).
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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 the following page.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

Bruce Coleman	Richard Morath
Chairman	Director

20 February 2018

Auditor's Independence Declaration

As lead auditor for the review of Platinum Capital Limited for the half-year ended 31 December 2017, 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 review; and

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

Simon Cuthbert
Partner
PricewaterhouseCoopers

Sydney
20 February 2018

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Contents

General information

The interim financial report is presented in Australian dollars, which is Platinum Capital Limited's functional and presentation currency.

Platinum Capital Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 8, 7 Macquarie Place
Sydney NSW 2000

A description of the nature of the Company's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The interim report was authorised for issue, in accordance with a resolution of Directors, on 20 February 2018.

Platinum Capital Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	31 Dec 17 $'000	31 Dec 16 $'000
Investment Income			
Dividends		3,095	3,449
Interest		8	35
Net gains on equities/derivatives		63,612	31,136
Net gains on foreign currency forward contracts		2,005	1,903
Net foreign exchange gains/(losses) on overseas bank accounts		(705)	320
Total net investment income		68,015	36,843
Expenses			
Management fees	12	(2,742)	(1,973)
Custody		(163)	(122)
Share registry		(118)	(130)
Continuous reporting disclosure		(154)	(130)
Directors' fees	13	(93)	(93)
Auditor's remuneration and other services	14	(67)	(91)
Transaction and brokerage costs		(226)	(246)
Other expenses		(132)	(45)
Total expenses		(3,695)	(2,830)
Profit before income tax expense		64,320	34,013
Income tax expense		(19,301)	(10,084)
Profit after income tax expense for the half-year attributable to the owners of Platinum Capital Limited		45,019	23,929
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Platinum Capital Limited		45,019	23,929
Basic earnings per share (cents per share)	9	15.82	10.14
Diluted earnings per share (cents per share)	9	15.82	10.14

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Platinum Capital Limited
Statement of financial position
As at 31 December 2017

	Note	31 Dec 17 $'000	30 Jun 17 $'000
Assets			
Cash and cash equivalents		20,058	51,110
Receivables		1,435	3,250
Financial assets at fair value through profit or loss	3	495,342	415,952
Income tax receivable	2(b)	-	1,210
Total assets		516,835	471,522
Liabilities			
Payables		1,889	4,504
Financial liabilities at fair value through profit or loss	4	3,087	1,164
Income tax payable	2(b)	4,555	-
Deferred tax liability	2(a)	31,493	20,278
Total liabilities		41,024	25,946
Net assets		475,811	445,576
Equity			
Issued capital	5	379,136	376,895
Retained earnings	6	(18,764)	(18,764)
Dividend profit reserve	7	115,439	87,445
Total equity		475,811	445,576

The above statement of financial position should be read in conjunction with the accompanying notes

	Issued capital $'000	Retained earnings $'000	Dividend profit reserve $'000	Total equity $'000
Balance at 1 July 2016	304,595	(18,764)	56,384	342,215
Profit after income tax expense for the half-year	-	23,929	-	23,929
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	23,929	-	23,929
Transfer of profit after income tax for the half-year, to the dividend profit reserve	-	(23,929)	23,929	-
Transactions with owners in their capacity as owners:				
Issue of shares in relation to the dividend reinvestment plan and unclaimed dividends (Note 5)	1,489	-	-	1,489
Dividends paid (Note 8)	-	-	(9,413)	(9,413)
Balance at 31 December 2016	306,084	(18,764)	70,900	358,220

	Issued capital $'000	Retained earnings $'000	Dividend profit reserve $'000	Total equity $'000
Balance at 1 July 2017	376,895	(18,764)	87,445	445,576
Profit after income tax expense for the half-year	-	45,019	-	45,019
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	45,019	-	45,019
Transfer of profit after income tax for the half-year, to the dividend profit reserve (Note 6 and Note 7)	-	(45,019)	45,019	-
Transactions with owners in their capacity as owners:				
Issue of shares in relation to the dividend reinvestment plan and unclaimed dividends (Note 5)	2,241	-	-	2,241
Dividends paid (Note 8)	-	-	(17,025)	(17,025)
Balance at 31 December 2017	379,136	(18,764)	115,439	475,811

The above statement of changes in equity should be read in conjunction with the accompanying notes

	31 Dec 17 $'000	31 Dec 16 $'000
Cash flows from operating activities		
Payments for purchase of financial assets	(149,410)	(96,995)
Proceeds from sale of financial assets	134,703	86,820
Dividends received	4,520	3,913
Interest received	31	51
Management fees paid	(2,698)	(1,950)
Other expenses paid	(1,082)	(951)
Income tax (paid)received	(2,032)	2,413
Net cash (used in) operating activities	(15,968)	(6,699)
Cash flows from financing activities		
Dividends paid - net of dividend reinvestment plan	(14,765)	(7,921)
Proceeds from issue of shares in relation to unclaimed dividends	30	18
Net cash (used in) financing activities	(14,735)	(7,903)
Net (decrease) in cash and cash equivalents	(30,703)	(14,602)
Cash and cash equivalents at the beginning of the half-year	51,110	45,070
Effects of exchange rate changes on cash and cash equivalents	(349)	71
Cash and cash equivalents at the end of the half-year	20,058	30,539

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These financial statements for the interim reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

These financial statements for the half-year ended 31 December 2017 do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New Accounting Standards and Interpretations not mandatory for the 31 December 2017 reporting period

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the interim reporting period ended 31 December 2017. The Company's assessment of the impact of the new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

AASB 9: *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)
AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It now includes revised rules around hedge accounting and impairment. The standard has been assessed as not having a significant impact on the recognition and measurement of the Company's financial instruments as the financial instruments are currently measured at fair value through profit or loss. AASB 9 will be adopted from the effective date.

AASB 15: *Revenue from contracts with customers* (effective from 1 January 2018)
The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services (and AASB 111 which covers construction contracts). The new standard is based on the principle that revenue is recognised by an asset manager to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur in future periods. The Company's' main source of income is interest, dividends and gains on financial assets held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of the new revenue recognition rules are not expected to have a significant impact on the Company is accounting policies or the amounts recognised in the financial statements. AASB 15 will be adopted from the effective date.

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

Note 2. Income Tax

(a) Recognition of deferred tax balances

In line with our existing accounting policy, the Company has determined the extent of recognition of deferred tax balances. The deferred tax liability figure in the statement of financial position is comprised of:

	31 Dec 17 $'000	30 Jun 17 $'000
Deferred tax liability on dividends accrued	(32)	(470)
Deferred tax liability on investments	(31,727)	(20,233)
Deferred tax asset impact on expense accruals	52	66
Deferred tax asset impact of capital raising and legal costs (deductible over 5 years)	214	359
Deferred tax liability	(31,493)	(20,278)

The Company has accumulated net unrealised gains of $105,757,000 as at 31 December 2017 (30 June 2017: $67,441,000). The tax impact on these investment gains has been recognised as a deferred tax liability and was $31,727,000 (30 June 2017: $20,233,000). The overall net deferred tax liability was $31,493,000 (30 June 2017: $20,278,000).

The realised tax balance will depend on the actual gains or losses generated as and when the investments are sold.

(b) Income tax (payable)/receivable

The income tax (payable)/receivable disclosed in the statement of financial position is comprised of:	31 Dec 17 $'000	30 Jun 17 $'000
Current income tax provision	(7,797)	(2,249)
Income tax instalments paid during the half-year/year	3,242	3,459
Income tax (payable)/receivable	(4,555)	1,210

This balance above reconciles to the statement of financial position. The “31 Dec 17” column shows the tax provision and instalments for the period 1 July 2017 to 31 December 2017. The “30 Jun 17” column shows the tax provision and instalments for the period 1 July 2016 to 30 June 2017.

Note 3. Financial assets at fair value through profit or loss

	31 Dec 17 $'000	30 Jun 17 $'000
Equities securities	491,959	412,839
Derivatives	277	370
Foreign currency forward contracts	3,106	2,451
Corporate bonds	-	292
	495,342	415,952

Note 4. Financial liabilities at fair value through profit or loss

	31 Dec 17 $'000	30 Jun 17 $'000
Derivatives	496	6
Foreign currency forward contracts	2,591	1,158
	3,087	1,164

Note 5. Issued capital

Shares on issue as at 31 December 2017 (and 30 June 2017) were as follows:

	31 Dec 17 Shares	30 Jun 17 Shares	31 Dec 17 $'000	30 Jun 17 $'000
Ordinary shares - fully paid	285,119,011	283,753,289	379,136	376,895

Movements in ordinary share capital

Details	Date	Shares	$'000
31 Dec 2017			
Opening balance	1 July 2017	283,753,289	376,895
Dividend reinvestment plan	11 September 2017	1,348,172	2,211
Reinvestment of unclaimed dividends	19 September 2017	17,550	30
Closing balance	31 December 2017	285,119,011	379,136
31 Dec 2016			
Opening balance	1 July 2016	235,332,383	304,595
Reinvestment of unclaimed dividends	7 September 2016	11,842	18
Dividend reinvestment plan	13 September 2016	986,943	1,471
Closing balance	31 December 2016	236,331,168	306,084

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon poll each share shall have one vote.

Rights issue or share buy-back

There is no current rights issue or share buy-back in place.

Note 6. Retained earnings

	31 Dec 17 $'000	30 Jun 17 $'000
Opening balance 1 July 2017 (1 July 2016)	(18,764)	(18,764)
Profit after income tax expense for the period/year	45,019	49,927
Transferred to dividend profit reserve* (see note 7)	(45,019)	(49,927)
Closing balance	(18,764)	(18,764)

*The Directors passed a resolution that transferred the profit after income tax to the dividend profit reserve. Prior year losses were not transferred to the dividend profit reserve.

Note 7. Dividend profit reserve

To the extent that any current period or prior year profits are not distributed as dividends, the Company may set aside some or all of the undistributed profits to a separate dividend profit reserve, to facilitate the payment of future franked dividends, rather than maintaining these profits within retained earnings. Operating losses are not transferred to the dividend profit reserve. A summary of the movement in this account is shown below.

	31 Dec 17	30 Jun 17
	$'000	$'000
Opening balance 1 July 2017 (1 July 2016)	87,445	56,384
Transfer of operating profit after tax from retained earnings*	45,019	49,927
Dividends paid (see Note 8)*	(17,025)	(18,866)
Closing balance	115,439	87,445

*Dividends are no longer paid out of retained earnings and are paid out of the dividend profit reserve. The Directors passed a resolution that transferred the operating profit after income tax expense to the dividend profit reserve. Subsequent to 31 December 2017, the 2018 interim fully-franked dividend of 4 cents per share was provided out of the reserve. The balance in the dividend profit reserve after providing for the 2018 interim dividend is $104,035,000 (or 36.49 cents per share, based on the current shares on issue).

Note 8. Dividends

Dividends paid during the half-year were as follows:

	31 Dec 17	31 Dec 16
	$'000	$'000
Final dividend for the year ended 30 June 2017 (2016: 30 June 2016) of 6 cents (2016: 4 cents) per ordinary share	17,025	9,413
	17,025	9,413

Dividends not recognised at half-year end
In addition to the above dividends paid for the period, on 20 February 2018, the Directors provided for the payment of the 2018 interim fully-franked dividend of 4 cents per fully paid ordinary share. The aggregate amount of the dividend expected to be paid on 13 March 2018, but not recognised as a liability at half-year end, is $11,405,000. The dividend will be paid out of the dividend profit reserve.

Franking credits	31 Dec 2017	31 Dec 2016
	$'000	$'000
Franking credits available at balance date based on a tax rate of 30%	4,267	11,605
Franking credit/(debits) that will arise from the tax payable/(receivable) at balance date based on a tax rate of 30%	4,555	1,781
Franking credits available for subsequent financial years based on a tax rate of 30%	8,822	13,386
Franking debits that will arise from the payment of dividends provided subsequent to the balance date based on a tax rate of 30%	(4,888)	(4,051)
Net franking credits available based on a tax rate of 30%	3,934	9,335

The available franking credits balance after providing for the 2018 interim dividend would enable the payment of a fully franked dividend of up to 3.22 cents per share fully-franked.

Note 9. Earnings per share

	31 Dec 17 $'000	31 Dec 16 $'000
Profit after income tax attributable to the owners of Platinum Capital Limited	45,019	23,929
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	284,583,835	235,929,869
	Cents	**Cents**
Basic earnings per share	15.82	10.14
Diluted earnings per share	15.82	10.14

There have been no conversions to, calls of, or subscriptions for ordinary shares during the current or previous period other than those issued under the dividend reinvestment plan and reinvestment of unclaimed dividends. Therefore, diluted earnings per share equals basic earnings per share.

Note 10. Statement of Net Tangible Asset Backing

Reconciling Net Tangible Asset Backing (post-tax) in accordance with Australian Accounting Standards to that reported to the ASX*	31 Dec 17 $'000	30 Jun 17 $'000
Post-tax Net Tangible Asset Backing per statement of financial position	475,811	445,576
Realisation costs* and accruals	(1,232)	(1,063)
Deferred income tax asset on realisation costs	368	392
Net Tangible Asset Backing - (post-tax)	474,947	444,905

The post-tax Net Tangible Asset Backing at 31 December 2017 was $1.6658 per share (30 June 2017: $1.5679).

* At 31 December 2017, financial assets and liabilities were valued at "last-sale" price for both ASX and financial accounts reporting. The difference at 31 December 2017 between ASX and financial accounts reporting is mainly caused by the ASX requirement that realisation costs need to be deducted for ASX reporting of NTA.

Note 11. Fair value measurement

Fair value hierarchy
AASB 13: *Fair Value Measurement* requires the Company to classify its assets and liabilities held at fair value using the following fair value hierarchy model (consistent with the hierarchy model applied to financial assets and liabilities at 30 June 2017):

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Note 11. Fair value measurement (continued)

The Company measures and recognises the following financial assets and liabilities at fair value, pursuant to AASB 13, on a recurring basis:
(i) Equity securities, long equity swaps and long futures;
(ii) Short equity swaps and short futures; and
(iii) Foreign currency forward contracts.

The following table details the Company's assets and liabilities, measured or disclosed at fair value, using the three level hierarchy model.

31 Dec 17	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Equity securities	468,778	18,958	4,223	491,959
Derivatives	-	277	-	277
Foreign currency forward contracts	-	3,106	-	3,106
	468,778	22,341	4,223	495,342
Liabilities				
Derivatives	195	301	-	496
Foreign currency forward contracts	-	2,591	-	2,591
	195	2,892	-	3,087

30 Jun 17	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Equity securities	400,213	12,626	-	412,839
Corporate bonds	-	292	-	292
Derivatives	94	276	-	370
Foreign currency forward contracts	-	2,451	-	2,451
	400,307	15,645	-	415,952
Liabilities				
Derivatives	-	6	-	6
Foreign currency forward contracts	-	1,158	-	1,158
	-	1,164	-	1,164

The totals presented above can be reconciled to Note 3 or Note 4 and the statement of financial position.

Fair value measurement of assets that are not based on observable market data (level 3)

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. During the period, all of the Zimbabwe securities held by the Company were transferred from Level 1 to Level 3. At 31 December 2017, the quantum of Level 3 investments as a proportion of total fair value of investments was less than 1%.

Note 11. Fair value measurement (continued)

In light of the failure by the Zimbabwe Government to implement plausible reforms around fund repatriation from that country, the Investment Manager reviewed the Zimbabwean securities held by the Company and have taken the view that the lack of liquidity available to repatriate funds, means that there should be a downward adjustment made to the fair value of the Company's Zimbabwean security holdings.

From 15 September 2017, the Investment Manager has applied a 33% discount for this lack of liquidity and took a provision against the Company's Zimbabwean security positions. The fair value used to value the Zimbabwean securities in these accounts is the lowest quoted closing market price between 12 September 2017 and 31 December 2017 less a 33% discount.

September 2017 was the month that sufficient information was received by the Investment Manager with respect to the difficulty in repatriating proceeds on the disposal of these securities. We have classified the fair value attributable to the Zimbabwean securities as Level 3 securities, because the fair value applied, particularly when considering the 33% discount that has been applied, is not based on observable market data.

As at 31 December 2017, the Company held approximately A$4,222,698 in Zimbabwean securities (based on the adjusted value applied by the Investment Manager), which constituted approximately 0.86% of the Company's total fair value of investments at 31 December 2017. A summary of the level 3 fair value applied relative to the "level 1" equivalent fair value is disclosed in the table below.

Name of Zimbabwean security	Fair value used to value the security in the accounts ($A) (level 3 value used)	Fair value based on the quoted closing market price at 31 December 2017 ($A) (equivalent level 1 value)	% discount
Axia Corp	191,141	320,946	40%
Econet Wireless Holdings	1,901,929	3,305,336	42%
Innscor Africa	1,327,369	1,981,148	33%
Masimba Holdings	348,299	634,874	45%
Simbisa Brands	453,960	748,874	39%
Total	4,222,698	6,991,178	40%

The total of the level 3 values disclosed above reconcile to the "31 December 2017" level 3 value disclosed on the previous page.

The above table shows that the value of the investments recorded in the statement of financial position was $2,768,480 lower than the value that would have applied if the 31 December 2017 quoted closing market price for these securities had been used when preparing the Company's statement of financial position.

A summary of the movement in level 3 (entirely Zimbabwean) securities, for the half-year ended 31 December 2017 is outlined below:

	Level 3 $
Opening balance	-
Transfers to level 3	4,222,698
Closing balance	4,222,698

Valuation process
The Investment Manager, via its portfolio accounting team, performs daily valuations of each of its investments. The valuation of any level 3 and level 2 securities are assessed and reviewed for appropriateness and a discussion of the valuation basis is held with management and an adjustment to the price is made if it is considered that the market price is not reasonable. This discussion occurs between the Finance Director, portfolio accounting team and the Chief Compliance Officer. A separate register is also maintained documenting the valuation used and the basis for the valuation. A re-assessment of each of these valuations re-occurs each month and at each reporting date when the financial report is prepared.

Note 11. Fair value measurement (continued)

Valuation inputs and relationship to fair value for level 3 securities

The following table summarises the quantitative information about the unobservable inputs used in the level 3 fair value measurements.

	Best estimate of fair value at 31 December 2017	**Unobservable inputs**	**Downside**
Zimbabwean securities	$4,222,698	A two-step process was applied to obtain the 31 December 2017 fair value, taking the lowest quoted closing market price between 12 September 2017 and 31 December 2017 and applying a 33% discount to that lowest closing quoted market price during that period.	Forced redemption and loss of $4,222,698 of sale proceeds (before brokerage).

Rationale for classification of assets and liabilities as level 1
At 31 December 2017, 95% of the equity securities and derivatives held by the Company are valued using unadjusted quoted prices in active markets and are classified as Level 1 in the fair-value hierarchy model.

Rationale for classification of assets and liabilities as level 2
There are certain financial instruments that have been classified as level 2, because a degree of adjustment has been made to the quoted price i.e., whilst all significant inputs required for fair value measurement are observable and quoted in an active market, there is a degree of estimation involved in deriving the fair value. Examples include:

(i) foreign currency forward contracts are classified as level 2 even though forward points are quoted in an active and liquid market. The forward themselves are based on interest rate differentials;

(ii) Participatory Notes are classified as level 2 because they are generally traded Over-The-Counter (OTC) and are often priced in a different currency to the underlying security;

(iii) Over-The-Counter (OTC) equity swap contracts are classified as level 2 because the swap contract itself is not listed and therefore there is no directly observable market price; or the price is sourced from the relevant counterparty, even though the price (and in the case of options, the relevant delta) can be verified directly from Bloomberg or verified using option pricing models. However, the underlying securities referred to in this swap contract do have a directly observable price in an active market; and

(iv) certain index derivatives are classified as level 2 because the Company may agree with the counterparty to include or exclude one or more securities that make up the “basket” of securities that comprise the index derivative. Hence, the quoted price of the index derivative would be very similar, but not identical to the index derivative that the Company held.

Note 12. Investment Manager Fees

The Investment Manager, Platinum Investment Management Limited, receives a monthly management fee for the investment services provided in accordance with the Investment Management Agreement. This Agreement provides for a management fee payable monthly and calculated at 1.1% (2016: 1.1%) per annum of the adjusted portfolio value (which includes cash and deposits).

Performance fee is also payable to the Investment Manager at a rate of 15% per annum of the amount by which the portfolio's annual return (at 30 June) exceeds the Morgan Stanley Capital International All Country World Net Index (MSCI) return. Performance fee is calculated before income taxes but after the payments of management fees. Any accumulated underperformance by the Company against the MSCI will have to be made up first before a performance fee will be paid to the Investment Manager.

At 31 December 2017, pre-tax performance of the portfolio was 13.79% and the corresponding MSCI 9.06%. This represents an outperformance of 4.73% against the MSCI in the current year. The brought forward prior year underperformance to 30 June 2017 was 10.25% and this means that total aggregate underperformance of 5.52% needs to be recovered before a performance fee will be paid.

	31 Dec 17 $'000	31 Dec 16 $'000
Fees paid and payable for the half-year ended 31 December 2017 are shown below:		
Management fees paid	2,271	1,637
Management fees payable	471	336
Total	2.742	1,973

In the event of termination, Platinum Investment Management Limited will be paid a 1.1% per annum lump sum termination fee payable by the Company equal to the management fee rate of 1.1% per annum in respect of the period from the first business day of the month in which termination is effective to the date which is the first anniversary of that date. Additionally, a performance fee is payable for the period from the last calculation of the performance fee (as described above) to the date of termination.

Note 13. Related Party transactions

Fees
Disclosures relating to management fees paid and payable to the Investment Manager, Platinum Investment Management Limited (PIML) are set out above in Note 12.

Loans to/from related parties
There were no loans to or from related parties at balance date.

Key management personnel
The table below presents Non-Executive Directors remuneration including superannuation paid and payable for the half-year ended 31 December 2017 and 31 December 2016.

31 December 2017

	Cash Salary $	Superannuation $	Total $
Bruce Coleman	30,000	2,850	32,850
Richard Morath	27,500	2,613	30,113
Jim Clegg	27,500	2,613	30,113
	85,000	8,076	93,076

Note 13. Related Party transactions (continued)

Key management personnel (continued)

31 December 2016

	Cash Salary $	Superannuation $	Total $
Bruce Coleman	30,000	2,850	32,850
Richard Morath	27,500	2,613	30,113
Jim Clegg	27,500	2,613	30,113
	85,000	8,076	93,076

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

	Opening balance	Acquisitions	Disposals	Closing balance
Bruce Coleman	249,972	-	-	249,972
Richard Morath	42,372	-	-	42,372
Jim Clegg	59,972	-	-	59,972

Note 14. Remuneration of auditor

During the half-year, the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company:

	31 Dec 17 $	31 Dec 16 $
Audit services relating to the financial statements		
Audit and review of the financial statements	56,994	72,693
Other services		
Taxation services	9,623	18,441
	66,617	91,134

Note 15. Contingent liabilities

No contingent liabilities exist as at 31 December 2017. The Company has no commitments for uncalled share capital on investments.

Note 16. Operating segments

The Company is organised into one main operating segment with only one key function, being the investment of funds internationally.

Note 17. Events after the reporting period

Apart from the dividend provided on 20 February 2018 as disclosed in Note 8 and the Directors' report, there are no other matters or circumstances that have arisen since 31 December 2017 that have significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Bruce Coleman Chairman	Richard Morath Director

20 February 2018
Sydney

Independent auditor's review report to the members of Platinum Capital Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Platinum Capital Limited (the Company), which comprises the statement of financial position as at 31 December 2017, the statement of changes in equity, statement of cash flows and statement of profit or loss and other comprehensive income for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Platinum Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Platinum Capital Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Simon Cuthbert
Partner

Sydney
20 February 2018