

Appendix 4D

Half-Year Report

Listing Rule 4.2A.3

Company	Platinum Asset Management Limited
ASX Code	PTM
Half-Year Ended	31 December 2016
Previous corresponding period Half-Year Ended	31 December 2015
ABN	13 050 064 287

Results for Announcement to the Market

Announcement to the market for the Platinum Asset Management Limited Consolidated Group should be read in conjunction with the attached 31 December 2016 Interim Financial Report and the 30 June 2016 Annual Report.

	% Mvt	\$A'000
Total revenue	-16.04%	161,807
Profit from ordinary activities after income tax	-18.52%	97,521
Net profit attributable to members	-20.29%	95,410
Basic and diluted EPS (cents per share)		16.26

The decrease in revenue and profit was directly related to the decrease of 14.3% in average daily funds under management ("FUM"), relative to the previous corresponding period.

This fall in average FUM was due to the effect of negative net inflows, which were partially offset by positive markets.

However, we note that FUM increased by 2.2% when comparing FUM at 31 December 2016 to the FUM at 30 June 2016.

In addition, total revenue increased by 6.5% for the six month period ended 31 December 2016 relative to the previous six month period ended 30 June 2016.

Dividends

Dividend declared	15 cents per share fully-franked
Record date	2 March 2017
Payable date	22 March 2017

A dividend of 16 cents per share fully-franked for the year ended 30 June 2016 was paid on 22 September 2016.

Refer to the attached Auditor-reviewed financial statements for financial data on the Consolidated Group.

Dividend Reinvestment Plan

Whilst the Company has a Dividend Reinvestment Plan in place, it is not activated.

Other Information

Net tangible assets per share was \$0.64 at 31 December 2016 as compared to \$0.62 at 30 June 2016.

Joanne Jefferies
Company Secretary
23 February 2017

Platinum Asset Management Limited

ABN 13 050 064 287

Interim Financial Report - 31 December 2016

Platinum Asset Management Limited

Corporate directory

31 December 2016

Directors	Michael Cole Bruce Coleman Stephen Menzies Anne Loveridge Kerr Neilson Andrew Clifford Elizabeth Norman Andrew Stannard
Shareholder liaison	Elizabeth Norman
Company secretary	Joanne Jefferies
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 register	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	PricewaterhouseCoopers 201 Sussex Street Sydney NSW 2000
Stock exchange listing	Platinum Asset Management Limited shares are listed on the Australian Securities Exchange (ASX code: PTM)
Website	www.platinum.com.au/Shareholder-information/

Platinum Asset Management Limited

Directors' report

31 December 2016

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Platinum Asset Management Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were Directors of Platinum Asset Management Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

Michael Cole	Chairman and Non-Executive Director
Bruce Coleman	Non-Executive Director
Margaret Towers	Non-Executive Director (retired 22 September 2016)
Anne Loveridge	Non-Executive Director (appointed 22 September 2016)
Stephen Menzies	Non-Executive Director
Kerr Neilson	Managing Director
Andrew Clifford	Executive Director and Chief Investment Officer
Elizabeth Norman	Executive Director and Director of Investor Services and Communications
Andrew Stannard	Executive Director and Chief Financial Officer

Company Secretary

Joanne Jefferies was appointed Company Secretary on 17 October 2016, replacing Mr Andrew Stannard who was the interim Company Secretary prior to Ms Jefferies' appointment.

Principal activities

The Company is the non-operating holding company of Platinum Investment Management Limited (PIML) and its controlled entities. Platinum Investment Management Limited, trading as Platinum Asset Management, operates a funds management business.

Operating and Financial Review

The three key variables that drive the profitability of the consolidated entity are average funds under management (FUM) growth, investment performance fees earned and expense growth. FUM for the half-year ending 31 December 2016 is shown in the table below.

Funds	Opening Balance (1 Jul 16) \$'M	Flows \$'M	Investment Performance \$'M	Closing Balance (31 Dec 16) \$'M	% of Total
Retail Funds					
Platinum Trust Funds and Platinum Global Fund	16,539	(1,318)	1,528	16,749	72
Platinum Listed Investment Vehicles	616	(16)	59	659	3
MLC Platinum Global Fund	918	(60)	90	948	4
Institutional Clients					
Fee Mandates	1,849	(63)	187	1,973	9
'Relative' Performance Fee Mandates	2,218	(167)	264	2,315	10
'Absolute' Performance Fee Mandates	548	(82)	68	534	2
Total	22,688	(1,706)	2,196	23,178	100

FUM at 31 December 2016 was \$23.2 billion and this was up 2.2% from the 30 June 2016 closing FUM of \$22.7 billion. Average FUM for the 6 months to 31 December 2016 decreased by 14.3% to \$23.3 billion from an average FUM of \$27.2 billion for the previous corresponding period. This fall in average FUM was due to the combined effect of positive markets, offset by negative net inflows.

Whilst net fund flows have been negative over the last 6 months, it is pleasing to report that the recent investment performance of the consolidated entity's underlying Funds have been generally strong with 6 month returns ranging from 17.4% for the Platinum Japan Fund to 4.6% for the Platinum Asia Fund. Past experience tells us there is a lag between strong investment performance translating into investment inflows, although since 31 December 2016, the signs from our overseas clients have been encouraging, as we received an inflow of A\$129 million in the Irish offshore fund, Platinum World Portfolios Plc (PWP). A period of just over 15 months has elapsed since PWP launched in November 2015 to the date of this report and during this time, total FUM for PWP is approximately A\$208 million. PWP continues to attract strong interest.

Platinum Asset Management Limited
Directors' report
31 December 2016

The decrease in average FUM from the previous corresponding period resulted in revenue of \$155.2 million (2015: \$178.1 million), which represents a decrease of 12.9%.

Other investment income decreased to \$6.6 million (2015: \$14.6 million) which is largely explained by the drop in foreign exchange gains on overseas bank accounts to \$0.2 million from \$7.5 million. This was due to the impact of the appreciation of US Dollar relative to Australian Dollar on our foreign cash holdings in the previous corresponding period.

Almost all of PIML's foreign currency cash exposure was removed in December 2016 with all significant US Dollar balances being repatriated and invested in Australian Dollar term deposits.

Expenses decreased by 5.6% or \$1.4 million relative to the previous corresponding period, driven mainly by savings on custody costs.

Profit before income tax expense was \$138.3 million (2015: \$167.9 million) which represents a decrease of 17.6% on the previous corresponding period. The profit after tax for the half-year was \$97.5 million (2015: \$119.7 million) which represents a decrease of 18.5%.

The consolidated entity is in a strong financial position, with a strong balance sheet. The most significant driver of sustainable future growth is, and will always be, the delivery of superior, long-term, risk adjusted returns for our clients.

Provided that we can continue to deliver strong investment performance for our clients, there is good reason to believe that strong sustainable investment inflows will occur into our underlying Funds, notwithstanding the uncertainty and volatility created by the recent US and European political developments. Our view is that the tension between political considerations, company valuation and earnings will result in selective opportunities rather than a uni-directional market.

Our FUM will likely grow over time through the increasing trend for Australian investors to increase their exposure to world stock markets, the strengthening of our relationship with the professional investor community and accessing the continuing growth of the self-managed superannuation fund (SMSF) sector.

Dividends

The Directors have determined to pay an ordinary dividend of 15 cents per share, fully-franked (31 December 2015: ordinary dividend of 16 cents per share). The amount of the proposed ordinary dividend expected to be paid on 22 March 2017, but not recognised as a liability as at 31 December 2016, is \$87,913,000 (31 December 2015: \$93,869,000 paid).

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 that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 4.

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

Michael Cole
Chairman

Kerr Neilson
Director

23 February 2017
Sydney



Auditor's Independence Declaration

As lead auditor for the review of Platinum Asset Management Limited for the half-year ended 31 December 2016, 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.

This declaration is in respect of Platinum Asset Management Limited and the entities it controlled during the period.

R Balding
Partner
PricewaterhouseCoopers

Sydney
23 February 2017

Platinum Asset Management Limited

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31 December 2016

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General information

The financial statements cover Platinum Asset Management Limited as a consolidated entity consisting of Platinum Asset Management Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2016. The financial statements are presented in Australian dollars, which is Platinum Asset Management Limited's functional and presentation currency.

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 23 February 2017.

The Directors have the power to amend and re-issue the interim financial report.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public pronouncements made by Platinum Asset Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Platinum Asset Management Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenue			
Management fees		147,229	167,276
Performance fees		949	2,495
Administration fees		7,007	8,346
		<u>155,185</u>	<u>178,117</u>
Other income			
Interest		1,844	2,154
Gains on investment in associates		1,749	1,500
Gains on financial assets at fair value through profit or loss		2,895	3,315
Net foreign exchange gains on overseas bank accounts		216	7,546
Net gains/(losses) on forward currency contracts, dividends and distributions		(82)	90
Total revenue and other income		<u>161,807</u>	<u>192,722</u>
Expenses			
Staff		(9,766)	(9,043)
Custody, administration, trustee and unit registry		(5,936)	(7,360)
Business development		(2,002)	(3,017)
Research		(869)	(1,173)
Rent and other occupancy		(847)	(799)
Technology		(795)	(836)
Other professional		(608)	(508)
Legal and compliance		(522)	(432)
Mail house and periodic reporting		(455)	(336)
Depreciation		(433)	(471)
Share registry		(324)	(374)
Share-based payments		(320)	-
Audit fee		(286)	(211)
Insurance		(228)	(240)
Other		(90)	(66)
Total expenses		<u>(23,481)</u>	<u>(24,866)</u>
Profit before income tax expense		138,326	167,856
Income tax expense		<u>(40,805)</u>	<u>(48,163)</u>
Profit after income tax expense for the half-year		97,521	119,693
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange rate translation impact of foreign subsidiaries		<u>2,555</u>	<u>(919)</u>
Other comprehensive income for the half-year, net of tax		<u>2,555</u>	<u>(919)</u>
Total comprehensive income for the half-year		<u><u>100,076</u></u>	<u><u>118,774</u></u>
Profit after income tax expense for the half-year is attributable to:			
Owners of Platinum Asset Management Limited		95,410	119,693
Non-controlling interests		<u>2,111</u>	<u>-</u>
		<u><u>97,521</u></u>	<u><u>119,693</u></u>
		Cents	Cents
Basic earnings per share	11	16.26	20.40
Diluted earnings per share	11	16.26	20.40

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

Platinum Asset Management Limited
Consolidated statement of financial position
As at 31 December 2016

		Consolidated	
	Note	31 Dec 2016	30 Jun 2016
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		18,863	119,079
Equity investment in associate	12	49,495	47,746
Financial assets at fair value through profit or loss	2	62,278	49,452
Term deposits		234,518	138,518
Trade and other receivables		32,017	29,900
Total current assets		<u>397,171</u>	<u>384,695</u>
Non-current assets			
Net deferred tax assets		919	-
Fixed assets		2,435	2,628
Total non-current assets		<u>3,354</u>	<u>2,628</u>
Total assets		<u>400,525</u>	<u>387,323</u>
Liabilities			
Current liabilities			
Trade and other payables		7,262	7,841
Financial liabilities at fair value through profit or loss	3	368	182
Income tax payable		11,284	10,766
Employee benefits		3,121	3,129
Total current liabilities		<u>22,035</u>	<u>21,918</u>
Non-current liabilities			
Provisions		199	199
Net deferred tax liabilities		-	995
Total non-current liabilities		<u>199</u>	<u>1,194</u>
Total liabilities		<u>22,234</u>	<u>23,112</u>
Net assets		<u>378,291</u>	<u>364,211</u>
Equity			
Issued capital	4	747,717	747,717
Reserves	5	(584,870)	(587,764)
Retained profits		177,158	175,522
Total equity attributable to the owners of Platinum Asset Management Limited		<u>340,005</u>	<u>335,475</u>
Total equity attributable to non-controlling interests:			
Non-controlling interests	13	38,286	28,736
Total equity		<u>378,291</u>	<u>364,211</u>

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

Platinum Asset Management Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2016

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2015	751,355	(588,014)	185,839	-	349,180
Profit after income tax expense for the half-year	-	-	119,693	-	119,693
<i>Other comprehensive income</i>					
Exchange rate translation impact of foreign subsidiaries (note 5)	-	(919)	-	-	(919)
Total comprehensive income for the half-year	-	(919)	119,693	-	118,774
<i>Transactions with owners in their capacity as owners:</i>					
Dividends paid (note 6)	-	-	(117,336)	-	(117,336)
Balance at 31 December 2015	<u>751,355</u>	<u>(588,933)</u>	<u>188,196</u>	<u>-</u>	<u>350,618</u>

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2016	747,717	(587,764)	175,522	28,736	364,211
Profit after income tax expense for the half-year	-	-	95,410	2,111	97,521
<i>Other comprehensive income</i>					
Exchange rate translation impact of foreign subsidiaries (note 5)	-	2,555	-	-	2,555
Total comprehensive income for the half-year	-	2,555	95,410	2,111	100,076
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments reserve (note 5)	-	339	-	-	339
Dividends paid (note 6)	-	-	(93,774)	-	(93,774)
Transactions with non-controlling interests (note 4)	-	-	-	7,439	7,439
Balance at 31 December 2016	<u>747,717</u>	<u>(584,870)</u>	<u>177,158</u>	<u>38,286</u>	<u>378,291</u>

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

Platinum Asset Management Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2016

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Cash flows from operating activities		
Receipts from operating activities	154,926	183,302
Payments for operating activities	(23,566)	(26,336)
Income taxes paid	(42,183)	(43,189)
	<u>89,177</u>	<u>113,777</u>
Net cash from operating activities		
Cash flows from investing activities		
Interest received	1,580	2,135
Proceeds on maturity of term deposits	138,518	257,268
Purchase of term deposits	(234,518)	(206,268)
Receipts from sale of financial assets	14,419	23,321
Payments for purchases of financial assets	(22,471)	(89,413)
Purchase of fixed assets	(239)	(144)
Dividends received	467	2
Distributions received	7	11
	<u>(102,237)</u>	<u>(13,088)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Dividends paid	(93,716)	(117,303)
Proceeds from investment by non-controlling interests	4,525	-
	<u>(89,191)</u>	<u>(117,303)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(102,251)	(16,614)
Cash and cash equivalents at the beginning of the half-year	119,079	127,679
Effects of exchange rate changes on cash and cash equivalents	2,035	4,321
	<u>18,863</u>	<u>115,386</u>
Cash and cash equivalents at the end of the half-year		

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

Platinum Asset Management Limited
Notes to the financial statements
31 December 2016

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 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 general purpose financial statements 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 2016 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.

New Accounting Standards and Interpretations

Except as disclosed in the 30 June 2016 annual report, there are no new accounting standards, amendments or interpretations issued during the half-year that are not yet effective that are expected to have a material impact on the consolidated entity in current or future reporting periods and on foreseeable future transactions.

Note 2. Current assets - financial assets at fair value through profit or loss

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Options in Platinum Asia Investments Limited	300	800
Unlisted unit trust investments	107	102
Equity securities – held directly by PWP	61,524	48,438
Derivatives – held directly by PWP	214	24
Forward currency contracts – held directly by PWP	133	88
	<u>62,278</u>	<u>49,452</u>
	<u>62,278</u>	<u>49,452</u>

Refer to note 7 for further information on fair value measurement.

Note 3. Current liabilities - financial liabilities at fair value through profit or loss

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Derivatives – held directly by PWP	13	16
Forward currency contracts – held directly by PWP	355	166
	<u>368</u>	<u>182</u>
	<u>368</u>	<u>182</u>

Refer to note 7 for further information on fair value measurement.

Platinum Asset Management Limited
Notes to the financial statements
31 December 2016

Note 4. Equity - issued capital

	Consolidated			
	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	586,678,900	586,678,900	751,355	751,355
Treasury shares	-	-	(3,638)	(3,638)
Total issued capital	<u>586,678,900</u>	<u>586,678,900</u>	<u>747,717</u>	<u>747,717</u>
External equity – Platinum World Portfolios	-	-	37,192	29,753
Total issued capital (including transactions with non-controlling interests)	<u><u>586,678,900</u></u>	<u><u>586,678,900</u></u>	<u><u>784,909</u></u>	<u><u>777,470</u></u>

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.

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

On 13 September 2016, the Company announced an on-market share buy-back program, in which shares will be bought-back if the PTM shares trade at a discount to its underlying value. No shares have been bought-back.

External equity – Platinum World Portfolios Plc.(PWP)

External equity represents external investment into PWP. The total amount invested into PWP as at 31 December 2016 was US\$28,623,850 (A\$37,191,686) with an additional US\$5,527,175 (A\$7,438,758) invested in the current period.

Treasury shares

In June 2016, the consolidated entity established and allocated rights to eligible employees under the Deferred Bonus Plan, resulting in the purchase of \$3,638,073 worth of PTM treasury shares on-market (refer to Note 5 for further details). There were no additional purchases of treasury shares in the current half-year. Details of the treasury shares allocation and closing balance was as follows:

	Consolidated			
	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	Shares	Shares	\$'000	\$'000
Unallocated shares held by the Employee Share Trust	591,578	591,578	3,638	3,638
Shares allocated to employees	-	-	-	-
Balance at the end of the financial year	<u>591,578</u>	<u>591,578</u>	<u>3,638</u>	<u>3,638</u>

Note 5. Equity - reserves

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Foreign currency translation reserve	2,263	(292)
Capital reserve	(588,144)	(588,144)
Share-based payments reserve	<u>1,011</u>	<u>672</u>
	<u><u>(584,870)</u></u>	<u><u>(587,764)</u></u>

Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated as a separate reserve within equity. The balance of the foreign currency translation reserve was \$2,263,000 at 31 December 2016.

Platinum Asset Management Limited
Notes to the financial statements
31 December 2016

Note 5. Equity - reserves (continued)

Share-based payments reserve

In June 2016, the consolidated entity established and allocated rights to eligible employees under the Deferred Bonus Plan. For the year ended 30 June 2016, the aggregated deferred bonus awarded was \$3,650,000, which includes the purchase of PTM shares, brokerage and GST. The corresponding number of rights to receive PTM shares was 591,578 shares, based on a seven day Volume Weighted Average Price (VWAP) of the PTM shares for the seven (7) days prior to grant date, being \$6.17.

No new deferred rights were granted in the current half-year, so the movement in the share-based payments reserve is comprised of the pro-rata (6 month) amortisation of the rights granted in the prior year.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

	Share-based payments \$'000	Foreign Currency \$'000	Capital \$'000	Total \$'000
Consolidated - 31 December 2016				
Balance at 1 July 2016	672	(292)	(588,144)	(587,764)
Exchange rate translation impact of foreign subsidiaries	-	2,555	-	2,555
Movement in share-based payments reserve	339	-	-	339
Balance at 31 December 2016	<u>1,011</u>	<u>2,263</u>	<u>(588,144)</u>	<u>(584,870)</u>
Consolidated - 30 June 2016				
Balance at 1 July 2015	-	130	(588,144)	(588,014)
Exchange rate translation impact of foreign subsidiaries	-	(422)	-	(422)
Movement in share-based payments reserve	672	-	-	672
Balance at 30 June 2016	<u>672</u>	<u>(292)</u>	<u>(588,144)</u>	<u>(587,764)</u>

Note 6. Equity - dividends

Dividends paid during the half-year were as follows:

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Dividend paid on 22 September 2016 (2015: 22 September 2015) of 16 cents (2015: 20 cents) per ordinary share	<u>93,774</u>	<u>117,336</u>

Since the period end, the Directors have determined to pay an ordinary fully-franked dividend of 15 cents per share (2015: ordinary dividend of 16 cents per share) payable out of profits for 6 months ended 31 December 2016.

This dividend has not been provided for at 31 December 2016, as it was declared after period end.

Platinum Asset Management Limited
Notes to the financial statements
31 December 2016

Note 7. Fair value measurement

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires the consolidated entity to classify those assets and liabilities measured at fair value using the following fair value hierarchy model (consistent with the hierarchy model applied to financial assets and liabilities at 30 June 2016).

- (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).

The consolidated entity 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;
- (iii) Forward currency contracts;
- (iv) Listed options; and
- (v) Unlisted unit trust investments.

The following table analyses within the fair value hierarchy model the consolidated entity's assets and liabilities, measured or disclosed at fair value, using the three level hierarchy model at 31 December 2016 and 30 June 2016. The consolidated entity has no assets or liabilities that are classified as level 3.

	Level 1 \$'000	Level 2 \$'000	Total \$'000
31 December 2016			
<i>Assets</i>			
Options in Platinum Asia Investments Limited	300	-	300
Unlisted unit trust investments	107	-	107
Equity securities - held directly by PWP	59,460	2,064	61,524
Derivatives - held directly by PWP	152	62	214
Forward currency contracts - held directly by PWP	-	133	133
Total assets	60,019	2,259	62,278
<i>Liabilities</i>			
Derivatives - held directly by PWP	-	13	13
Forward currency contracts - held directly by PWP	-	355	355
Total liabilities	-	368	368
30 June 2016			
<i>Assets</i>			
Options in Platinum Asia Investments Limited	800	-	800
Unlisted unit trust investments	102	-	102
Equity securities - held directly by PWP	46,753	1,685	48,438
Derivatives - held directly by PWP	2	22	24
Forward currency contracts - held directly by PWP	-	88	88
Total assets	47,657	1,795	49,452
<i>Liabilities</i>			
Derivatives - held directly by PWP	-	16	16
Forward currency contracts - held directly by PWP	-	166	166
Total liabilities	-	182	182

The consolidated entity's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels 1 and 2 for any assets or liabilities measured at fair value during the half-year.

Note 7. Fair value measurement (continued)

Valuation techniques used to classify assets and liabilities as level 1

As at 31 December 2016, the majority of the investments held by the consolidated entity were valued based on quoted prices in active markets. Accordingly, the majority of investments are classified as Level 1 in the fair-value hierarchy model. The options associated with the Platinum Asia Investments Limited investment have been classified as level 1, because these are ASX-listed and valued at quoted prices in an active market on a daily basis.

Valuation techniques used to classify assets and liabilities as level 2

At 31 December 2016, there were certain financial instruments that were classified as level 2, because there was a degree of adjustment made to the quoted price i.e., whilst all significant inputs required for fair value measurement were observable and quoted on an active market, there was some degree of estimation or adjustment involved in deriving the fair value. Examples include:

- (i) forward currency contracts were classified as level 2 even though forward points were quoted in an active and liquid market. The forward points themselves were based on interest rate differentials;
- (ii) certain P-Notes/warrants were classified as level 2 because they were generally traded Over-The Counter and were often priced in a different currency to the underlying security;
- (iii) certain Over-The Counter (OTC) derivatives/options were classified as level 2 because either (i) the derivative contract itself was not listed and therefore there was no directly observable market price; or (ii) the price was sourced from the relevant counterparty, even though the price (and in the case of options, the relevant delta) could be verified from either Bloomberg or other pricing models; and
- (iv) certain index derivatives were classified as level 2 because the consolidated entity (via PWP) 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 consolidated entity holds.

Note 8. Segment information

The consolidated entity is organised into two main operating segments being:

- funds management: through the generation of management and performance fees from Australian investment vehicles and its US-based investment mandates; and
- investments and other: through the consolidated entity's investment in ASX quoted, Platinum Asia Investments Limited, its offshore fund, Platinum World Portfolios Plc. (PWP) and its investment in unlisted Platinum Trust Funds. Also included in this category are Australian dollar term deposits and residual foreign cash holdings, as well as any associated interest derived from both the foreign cash holdings and term deposits. The prior year comparative figures predominantly include the impact of the now-inoperative, Platinum World Funds Plc.

The segment financial results, segment assets and liabilities are disclosed on the following page(s):

Platinum Asset Management Limited
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Note 8. Segment information (continued)

Current period - 31 December 2016	Funds Management \$'000	Investments and Other \$'000	Total \$'000
Revenue			
Management, performance and administration fees	155,185	-	155,185
Interest	161	1,683	1,844
Net foreign exchange gains on overseas bank accounts	-	216	216
Net gains on financial assets and equity in associates	-	4,644	4,644
Net losses on forward currency contracts, dividends and other income	-	(82)	(82)
Total revenue and other income	155,346	6,461	161,807
Expenses	(23,222)	(259)	(23,481)
Profit before income tax expense	132,124	6,202	138,326
Income tax expense	(39,058)	(1,747)	(40,805)
Profit after income tax expense	93,066	4,455	97,521
Other comprehensive income	-	2,555	2,555
Total comprehensive income	93,066	7,010	100,076
Assets			
Cash and cash equivalents	3,837	15,026	18,863
Financial assets and equity in associate	-	111,773	111,773
Term deposits	-	234,518	234,518
Receivables and other assets	33,450	1,921	35,371
Total assets	37,287	363,238	400,525
Liabilities			
Financial liabilities	-	368	368
Payables and provisions	9,759	823	10,582
Tax liabilities	11,153	131	11,284
Total liabilities	20,912	1,322	22,234
Net assets	16,375	361,916	378,291

Platinum Asset Management Limited
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Note 8. Segment information (continued)

	Funds Management \$'000	Investments and Other \$'000	Total \$'000
Comparative period - 31 December 2015			
Revenue			
Management, performance and administration fees	178,117	-	178,117
Interest	211	1,943	2,154
Net foreign exchange gains on overseas bank accounts	-	7,546	7,546
Net gains on financial assets and equity in associates	-	4,815	4,815
Net gains on forward currency contracts, dividends and other income	-	90	90
Total revenue and other income	178,328	14,394	192,722
Expenses			
	(24,748)	(118)	(24,866)
Profit before income tax expense	153,580	14,276	167,856
Income tax expense	(44,180)	(3,983)	(48,163)
Profit after income tax expense	109,400	10,293	119,693
Other comprehensive income	-	(919)	(919)
Total comprehensive income	109,400	9,374	118,774
Comparative - 30 June 2016			
Assets			
Cash and cash equivalents	3,439	115,640	119,079
Financial assets and equity in associate	-	97,198	97,198
Term deposits	-	138,518	138,518
Receivables and other assets	31,503	1,025	32,528
Total assets	34,942	352,381	387,323
Liabilities			
Financial liabilities	-	182	182
Payables and provisions	9,657	1,512	11,169
Tax liabilities	9,614	2,147	11,761
Total liabilities	19,271	3,841	23,112
Net assets	15,671	348,540	364,211

Note 9. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 10.

Tax consolidation and dividend transactions

Any tax payable on income and gains from any entity within the tax consolidated group and dividends are sourced from the main operating subsidiary, Platinum Investment Management Limited (PIML), and paid out under the Company. Platinum Asset Management Limited is the head entity of the consolidated tax group and is the parent entity, and consequently, is the entity that ultimately pays out dividends to shareholders. The amounts paid to shareholders are disclosed in the consolidated statement of cash flows.

Platinum Asset Management Limited
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31 December 2016

Note 9. Related party transactions (continued)

Transactions with related parties

Platinum Investment Management Limited provides investment management services to (i) its related party unit trusts - the Platinum Trust Funds and Platinum Global Fund (ii) its offshore fund, Platinum World Portfolios Plc. and (iii) its two ASX-listed investment companies (LICs), Platinum Capital Limited and Platinum Asia Investments Limited.

Platinum Investment Management Limited is entitled to receive a monthly management fee from each of these entities, a monthly administration fee from the Platinum Trust Funds and Platinum Global Fund and a performance fee (that is calculated annually) based on the relative investment performance of the Platinum Trust Funds, Platinum Capital Limited and Platinum Asia Investments Limited. The total related party fees recognised in the statement of profit or loss and other comprehensive income for the period ended 31 December 2016 was \$128,468,504 (31 December 2015: \$146,965,479). The total related party fees receivable recognised in the statement of financial position at 31 December 2016 was \$20,809,958 (30 June 2016: \$21,888,293).

In the prior period, Platinum Investment Management Limited purchased 50 million shares and 50 million options in Platinum Asia Investments Limited (PAI). The fair value of these investments at 31 December 2016 was \$46,750,000 (30 June 2016: \$44,250,000) for the shares and \$300,000 (30 June 2016: \$800,000) for the options. At balance date, PIMLs proportionate share of PAIs net assets was \$49,495,000 (30 June 2016: \$47,746,000), and this share was disclosed as an investment in an associate in the consolidated statement of financial position. The \$300,000 worth of options was disclosed as a fair value investment in the consolidated statement of financial position.

Platinum Investment Management Limited held small investments in the Platinum Trust Funds. At 31 December 2016, the amount of this investment as disclosed in the consolidated statement of financial position was \$106,539 (30 June 2016: \$101,711).

In the prior period, PIML provided seeding of US\$25 million (equivalent to A\$35,231,116) associated with the launch of a new offshore fund, Platinum World Portfolios Plc. (PWP). PIMLs interest in PWP at 31 December 2016 (and 30 June 2016), along with PWP's total Net Asset Value is shown in the table below.

	PIMLs interest %	Market value of PIMLs interest A\$'000	Net Asset Value A\$'000
31 December 2016	46.7	35,861	76,804
30 June 2016	51.9	32,780	63,122

Mr Stephen Menzies is PIML's nominee on the Board of PWP. PIML reimburses Stephen Menzies for any incidental travel and accommodation associated with attendance at Board meetings in Ireland. During the half-year, the amount reimbursed was \$8,870 (31 December 2015: \$8,765).

With respect to PWP, PIML has undertaken to limit the annual expenses of each of PWP's sub-funds through the use of a voluntary expense cap, where total expenses of each sub-fund does not exceed a specified limit (for example: for the base fee class(es), the limit or cap is 1.65% of the Net Asset Value of each sub-fund). At 31 December 2016, the total amount reimbursed/paid or payable by PIML to PWP in respect of expenses for the period was A\$47,297 (31 December 2015: \$44,198).

Loan agreements with related parties

There were no formal loan agreements executed with related parties in the current and previous reporting date, but there were inter-company receivables and payables.

Platinum Asset Management Limited
Notes to the financial statements
31 December 2016

Note 10. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2016 %	30 Jun 2016 %
McRae Pty Limited	Australia	100.0	100.0
Platinum Asset Pty Limited	Australia	100.0	100.0
Platinum Investment Management Limited	Australia	100.0	100.0
Platinum Investment Management Australia Corp.	United States	100.0	100.0
Platinum World Portfolios Plc	Ireland	46.7	51.9

Note 11. Earnings per share

	Consolidated	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Profit after income tax attributable to the owners of Platinum Asset Management Limited	95,410	119,693
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	586,678,900	586,678,900
	Cents	Cents
Basic earnings per share	16.26	20.40
Diluted earnings per share	16.26	20.40

Note 12. Equity investment in associates

At 31 December 2016, PIML (and the consolidated entity) was assessed as having significant influence over Platinum Asia Investments Limited (PAI), because (i) its equity interest was 17.05% (ii) PIML operates as Investment Manager in accordance with the Investment Management Agreement and (iii) PIML provides PAI with key technical information, such as performance and exposure reports.

Consequently, PIML's investment in Platinum Asia Investments Limited represents an interest in an associate which is accounted for using the equity method of accounting. Information relating to this is shown below and on the following page.

a. Interest in associates

	Equity ownership interest %	Fair value \$'000	Carrying amount \$'000
31 December 2016			
Platinum Asia Investments Limited (ASX code: PAI)	17.05	46,750	49,495
30 June 2016			
Platinum Asia Investments Limited (ASX code: PAI)	17.05	44,250	47,746

Platinum Asset Management Limited
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Note 12. Equity investment in associates (continued)

The fair value of Platinum Asia Investments Limited reflects the 50 million shares held multiplied by closing price at 31 December 2016 of \$0.935.

The carrying amount reflects the consolidated entity's share of PAI's net assets (see section 12.b. for further details).

We have conducted an impairment assessment of the carrying amount of \$49,495,000 including a look-through of each of the underlying assets and liabilities of PAI. Based on this analysis, no impairment exists at 31 December 2016.

b. Carrying amount of investment using the equity method

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Opening balance	47,746	-
Acquisition of PAI (investment pursuant to the IPO)	-	50,000
Share of PAI's profit/(loss) (see Note 13.d. below)	1,749	(1,543)
Share of PAI's transaction costs in relation to the IPO, net of tax	-	(711)
Amount recognised in the consolidated statement of profit or loss and other comprehensive income	<u>1,749</u>	<u>(2,254)</u>
Closing balance	<u>49,495</u>	<u>47,746</u>

c. Share of associates' statement of financial position

	Platinum Asia Investments Limited \$'000	Group's share of associate \$'000
31 December 2016		
Total assets	293,861	50,112
Total liabilities	<u>(3,618)</u>	<u>(617)</u>
Net assets	<u>290,243</u>	<u>49,495</u>
30 June 2016		
Total assets	282,068	48,105
Total liabilities	<u>(2,105)</u>	<u>(359)</u>
Net assets	<u>279,963</u>	<u>47,746</u>

d. Associates' net income

31 December 2016		
Total investment income	18,064	3,081
Total expenses	<u>(2,631)</u>	<u>(449)</u>
Profit before tax	15,433	2,632
Income tax expense	<u>(5,181)</u>	<u>(883)</u>
Profit after tax	<u>10,252</u>	<u>1,749</u>

Platinum Asset Management Limited
Notes to the financial statements
31 December 2016

Note 13. Non-controlling interests

External (non-related party) investment in PWP represents a non-controlling interest in the Platinum Group which can be broken down as follows:

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Opening balance	28,736	-
Profit/(loss) after income tax attributable to non-controlling interests	2,111	(1,017)
Additional investment into PWP	7,439	29,753
	<u>38,286</u>	<u>28,736</u>

Note 14. Contingent Assets, Liabilities and Commitments

The consolidated entity has no commitments for significant capital expenditure. No contingent assets or liabilities exist at 31 December 2016 and 30 June 2016.

Note 15. Events after the reporting period

On 19 January 2017, an external investor invested US\$50m (A\$66m) into PWP. On 26 January 2017, the same external investor invested a further US\$47.2m (A\$63m). This combined investment of US\$97.2m (A\$129m) resulted in PIML's interest decreasing to 17%. As a result, the Directors are currently considering whether there is ongoing control of, and a requirement to consolidate PWP going forward.

Apart from the external investment into PWP and the dividend declared as disclosed in note 6, no other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Platinum Asset Management Limited
Directors' declaration
31 December 2016

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 consolidated entity's financial position as at 31 December 2016 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

Michael Cole
Chairman

Kerr Neilson
Director

23 February 2017
Sydney



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Platinum Asset Management Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, selected 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 from time to time during the half-year.

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 consolidated entity's financial position as at 31 December 2016 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 Asset Management 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 Asset Management Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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

R Balding
Partner

Sydney
23 February 2017