

Platinum Capital Limited

ABN 51 063 975 431

Interim Financial Report - 31 December 2016

Directors	Bruce Coleman Richard Morath Jim Clegg
Company secretary	Joanne Jefferies
Investment Manager	Platinum Investment Management Limited (trading as Platinum Asset Management®)
Shareholder liaison	Liz Norman
Registered office	Level 8, 7 Macquarie Place Sydney NSW 2000 Phone 1300 726 700 (Australia only) Phone 0800 700 726 (New Zealand only) Phone +61 2 9255 7500 Fax +61 2 9254 5555
Share registrar	Computershare Investor Services Pty Ltd Level 3, 60 Carrington Street Sydney NSW 2000 Phone 1300 855 080 (Australia only) Phone +61 3 9415 4000 Fax +61 3 9473 2500
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-Funds/Platinum-Capital-limited/

Platinum Investment Management Limited neither guarantees the repayment of capital nor the investment performance of the Company.

The Directors present their report, together with the interim financial statements of Platinum Capital Limited (the "Company") for the half-year ended 31 December 2016.

Directors

The following persons were Directors of the Company during the whole of the financial 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

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 a listed investment company that provides capital growth over the long-term, through investment of funds internationally into securities of companies, which are perceived by the Investment Manager to be undervalued.

Operating and Financial Review

For the half-year ended 31 December 2016, the operating profit for the Company after income tax expense was \$23,929,000 (31 December 2015: loss of \$3,789,000).

The operating profit for the Company before income tax expense was \$34,013,000 (31 December 2015: loss of \$5,402,000). Income tax expense for the period was \$10,084,000 (31 December 2015: benefit of \$1,613,000).

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 2016, the Company's pre-tax NTA increased to \$1.56 per share from \$1.44 per share. In addition, shareholders received 4 cents per share in dividends during the half-year ended 31 December 2016.

For the 6 months ending 31 December 2016, Company's pre-tax NTA, after fees and expenses, and assuming reinvestment of dividends, increased by 10.02% versus a gain of 9.57% for the benchmark Morgan Stanley Capital International All Country World Net Index (MSCI) in \$A terms. The out-performance for the 6 months period to 31 December 2016 shows that the portfolio positioning of the Company is paying off and we are starting to see strong performance with Asian stocks, in particular Chinese, Japanese and Indian stocks contributing to the higher gains in dollar terms. Cyclical and technology stocks have been the sector drivers.

Over 5 years, the Company has returned 15.79% per annum compound, after fees and expenses, compared to the MSCI return of 17.24%. This is a strong result, considering that the MSCI, as we have frequently alluded to, is heavily weighted to the US market (54%) which looks over-valued and expensive by traditional measures.

With regards to the outlook, the Investment Manager reports that "...we are finding considerable differences in valuations across markets which are at odds with the growth prospects of companies. We believe this should allow us to make solid relative returns in the year ahead."

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

Dividends

The Directors transferred the 31 December 2016 interim profit after income tax to the dividend profit reserve.

On 16 February 2017, the Directors declared a 4 cents per share (\$9,453,000) 2017 interim fully-franked dividend payable on 13 March 2017, which will be paid out of the dividend profit reserve. After the payment of the 2017 interim dividend, the balance in the dividend profit reserve is \$61,446,000, which translates to 26 cents per share, based on the current shares on issue. For the comparative interim reporting period, a fully-franked dividend of 3 cents per share (\$7,037,000) was paid.

Containment of Losses since inception

The Company has an outstanding record of delivering absolute returns largely as a consequence of containing losses during market downturns. Over all 5 year periods, commencing each month since inception, the Company has achieved positive returns far more frequently than the MSCI AC World Net Index and with approximately double the number of 5 year periods exceeding a return of 8% per annum compound. Moreover the Company has recorded significantly fewer negative 5 year return periods and much smaller losses, when they have in fact occurred, compared to the benchmark.

Since inception in 1994 to 31 December 2016, the Company has achieved a return of 12.23% per annum compound, after all fees and expenses, outperforming the MSCI over that time by around 5.65% per annum compound.

Capital Management

The Board has amended the Company's non-binding Capital Management Policy in order to have greater flexibility in managing the Company's capital structure, in response to changing market conditions and risks, with the sole aim of enhancing shareholder value.

The Company's Capital Management Policy 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.

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
Chairman

Richard Morath
Director

16 February 2017
Sydney



Auditor's Independence Declaration

As lead auditor for the review of Platinum Capital 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.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
16 February 2017

Contents

Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	18
Independent auditor's review report to the members of Platinum Capital Limited	19

General information

The interim financial statements are 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 16 February 2017.

Platinum Capital Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016



	Note	31 Dec 16 \$'000	31 Dec 15 \$'000
Investment Income			
Dividends		3,449	3,393
Interest		35	3
Net gains/(losses) on equities/derivatives		31,136	(6,057)
Net gains/(losses) on foreign currency forward contracts		1,903	(729)
Net foreign exchange gains on overseas bank accounts		320	1,877
Total net investment income/(loss)		<u>36,843</u>	<u>(1,513)</u>
Expenses			
Management fees	12	(1,973)	(2,921)
Custody		(122)	(127)
Share registry		(130)	(144)
Continuous reporting disclosure		(130)	(120)
Directors' fees	13	(93)	(93)
Auditor's remuneration and other services	14	(91)	(103)
Transaction and brokerage costs		(246)	(265)
Other expenses		(45)	(116)
Total expenses		<u>(2,830)</u>	<u>(3,889)</u>
Profit/(loss) before income tax (expense)/benefit		34,013	(5,402)
Income tax (expense)/benefit		<u>(10,084)</u>	<u>1,613</u>
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Platinum Capital Limited		23,929	(3,789)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income/(loss) for the half-year attributable to the owners of Platinum Capital Limited		<u><u>23,929</u></u>	<u><u>(3,789)</u></u>
Basic earnings per share (cents per share)	9	10.14	(1.62)
Diluted earnings per share (cents per share)	9	10.14	(1.62)

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 2016



	Note	31 Dec 16 \$'000	30 Jun 16 \$'000
Assets			
Cash and cash equivalents		30,539	45,070
Trade and other receivables		3,361	1,096
Financial assets at fair value through profit or loss	3	340,191	301,012
Income tax receivable	2(b)	-	3,873
Total assets		<u>374,091</u>	<u>351,051</u>
Liabilities			
Payables		1,228	3,325
Financial liabilities at fair value through profit or loss	4	3,839	3,161
Income tax payable	2(b)	1,781	-
Deferred tax liability	2(a)	9,023	2,350
Total liabilities		<u>15,871</u>	<u>8,836</u>
Net assets		<u><u>358,220</u></u>	<u><u>342,215</u></u>
Equity			
Issued capital	5	306,084	304,595
Retained earnings	6	(18,764)	(18,764)
Dividend profit reserve	8	70,900	56,384
Total equity		<u><u>358,220</u></u>	<u><u>342,215</u></u>

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

Platinum Capital Limited
Statement of changes in equity
For the half-year ended 31 December 2016



	Issued capital \$'000	Retained earnings \$'000	Dividend profit reserve \$'000	Total equity \$'000
Balance at 1 July 2015	301,154	77,421	-	378,575
Transferred to dividend profit reserve (Note 6 and Note 8)	-	(77,421)	77,421	-
Loss after income tax benefit for the half-year	-	(3,789)	-	(3,789)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	(3,789)	-	(3,789)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares in relation to the dividend reinvestment plan and unclaimed dividends (Note 5)	2,267	-	-	2,267
Dividends paid (Note 7)	-	-	(14,000)	(14,000)
Balance at 31 December 2015	<u>303,421</u>	<u>(3,789)</u>	<u>63,421</u>	<u>363,053</u>
	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 income for the half-year	-	23,929	-	23,929
Transfer of profit after income tax for the half-year, to the dividend profit reserve (Note 6 and Note 8)	-	(23,929)	23,929	-
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares in relation to the dividend reinvestment plan and unclaimed dividends (Note 5)	1,489	-	-	1,489
Dividends paid (Note 7)	-	-	(9,413)	(9,413)
Balance at 31 December 2016	<u>306,084</u>	<u>(18,764)</u>	<u>70,900</u>	<u>358,220</u>

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

Platinum Capital Limited
Statement of cash flows
For the half-year ended 31 December 2016



	31 Dec 16	31 Dec 15
	\$'000	\$'000
Cash flows from operating activities		
Payments for purchase of financial assets	(96,995)	(120,325)
Proceeds from sale of financial assets	86,820	150,983
Dividends received	3,913	3,822
Interest received	51	10
Management fees paid	(1,950)	(2,952)
Other expenses paid	(951)	(1,051)
Income tax received/(paid)	2,413	(7,406)
	<hr/>	<hr/>
Net cash (used in)/from operating activities	(6,699)	23,081
Cash flows from financing activities		
Dividends paid - net of dividend re-investment plan	(7,921)	(11,771)
Proceeds from issue of shares in relation to unclaimed dividends	18	42
	<hr/>	<hr/>
Net cash used in financing activities	(7,903)	(11,729)
Net (decrease)/increase in cash and cash equivalents	(14,602)	11,352
Cash and cash equivalents at the beginning of the half-year	45,070	37,076
Effects of exchange rate changes on cash and cash equivalents	71	2,059
	<hr/>	<hr/>
Cash and cash equivalents at the end of the half-year	30,539	50,487
	<hr/> <hr/>	<hr/> <hr/>

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 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 financial statements for the half-year ended 31 December 2016 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, unless otherwise stated.

New Accounting Standards and Interpretations not mandatory for the 31 December 2016 reporting period

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 Company in 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 Company has accumulated net unrealised gains of \$37,709,000 as at 31 December 2016 (30 June 2016: \$13,815,000). The tax impact on these investment gains has been recognised as a deferred tax liability and was \$11,313,000 (30 June 2016: \$4,145,000). The overall net deferred tax liability was \$9,023,000 (30 June 2016: \$2,350,000).

The settlement of the deferred tax liability will depend on the timing of realisation of investments.

(b) Income tax (payable)/receivable

The income tax (payable)/receivable disclosed in the Statement of Financial Position is comprised of:

	31 Dec 16 \$'000	30 Jun 16 \$'000
Current income tax provision	(3,262)	(7,854)
Income tax instalments paid during the half-year/year	1,481	11,727
Income tax (payable)/receivable	<u>(1,781)</u>	<u>3,873</u>

The information presented above reconciles to the Statement of Financial Position. The "31 Dec 16" column shows the tax provision and instalments for the period 1 July 2016 to 31 December 2016. The "30 Jun 16" column shows the tax provision and instalments for the period 1 July 2015 to 30 June 2016.

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

	31 Dec 16 \$'000	30 Jun 16 \$'000
Equities securities	336,944	299,159
Corporate bonds	309	278
Derivatives	1,868	166
Foreign currency forward contracts	1,070	1,409
	<u>340,191</u>	<u>301,012</u>

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

	31 Dec 16 \$'000	30 Jun 16 \$'000
Derivatives	28	634
Foreign currency forward contracts	3,811	2,527
	<u>3,839</u>	<u>3,161</u>

Note 5. Equity - issued capital

	31 Dec 16 Shares	30 Jun 16 Shares	31 Dec 16 \$'000	30 Jun 16 \$'000
Ordinary shares - fully paid	<u>236,331,168</u>	<u>235,332,383</u>	<u>306,084</u>	<u>304,595</u>

Movements in ordinary share capital

Details	Date	Shares	\$'000
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	<u>236,331,168</u>	<u>306,084</u>
31 Dec 2015			
Opening balance	1 July 2015	233,325,992	301,154
Dividend reinvestment plan	11 September 2015	1,222,509	2,225
Reinvestment of unclaimed dividends	17 September 2015	22,716	42
Closing balance	31 December 2015	<u>234,571,217</u>	<u>303,421</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. 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 on-market share buy-back in place.

Note 6. Retained earnings

	31 Dec 16 \$'000	30 Jun 16 \$'000
Opening balance 1 July 2016 (2015)	(18,764)	77,421
Profit/(loss) after income tax benefit/(expense) for the period	23,929	(18,764)
Transferred to dividend profit reserve	<u>(23,929)</u>	<u>(77,421)</u>
Closing balance	<u><u>(18,764)</u></u>	<u><u>(18,764)</u></u>

The Directors passed a resolution that transferred the 31 December 2016 interim profit after income tax to the dividend profit reserve.

Note 7. Dividends

Dividends paid

Dividends paid during the half-year were as follows:

	31 Dec 16 \$'000	31 Dec 15 \$'000
Final dividend for the year ended 30 June 2016 (2015: 30 June 2015) of 4 cents (2015: 6 cents) per ordinary share	<u>9,413</u>	<u>14,000</u>
	<u><u>9,413</u></u>	<u><u>14,000</u></u>

Dividends not recognised at half-year-end

In addition to the above dividends paid, on 16 February 2017, the Directors declared the payment of the 2017 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 2017, but not recognised as a liability at year-end, is \$9,453,000. The dividend will be paid out of the dividend profit reserve.

Note 8. Dividend profit reserve

The Company may set aside some or all of its 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 16 \$'000	30 Jun 16 \$'000
Opening balance 1 July 2016 (2015)	56,384	-
Transfer of operating profit after tax from retained earnings*	23,929	77,421
Dividends paid (see Note 7)*	<u>(9,413)</u>	<u>(21,037)</u>
Closing balance	<u><u>70,900</u></u>	<u><u>56,384</u></u>

*Dividends are no longer paid out of retained earnings and are paid out of the dividend profit reserve. As a result, the 31 December 2016 interim profit after income tax expense of \$23,929,000 was transferred to the dividend profit reserve and the 2017 interim fully-franked dividend was declared out of the reserve. The balance in the dividend profit reserve after the declaration of the 2017 interim dividend is \$61,446,000 (or 26 cents per share, based on the current shares on issue).

Note 9. Earnings per share

	31 Dec 16 \$'000	31 Dec 15 \$'000
Profit/(loss) after income tax attributable to the owners of Platinum Capital Limited	23,929	(3,789)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	235,929,869	234,083,214
Weighted average number of ordinary shares used in calculating diluted earnings per share	235,929,869	234,083,214
	Cents	Cents
Basic earnings/(loss) per share	10.14	(1.62)
Diluted earnings/(loss) per share	10.14	(1.62)

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

	31 Dec 16 \$'000	30 Jun 16 \$'000
Reconciling Net Tangible Asset Backing (post-tax) in accordance with Australian Accounting Standards to that reported to the ASX*		
Post-tax Net Tangible Asset Backing per Statement of Financial Position	358,220	342,215
Realisation costs* and accruals	(835)	(768)
Deferred income tax asset on realisation costs	237	225
Net Tangible Asset Backing - (post-tax)	<u>357,622</u>	<u>341,672</u>

The post-tax Net Tangible Asset Backing at 31 December 2016 was \$1.5132 per share (30 June 2016: \$1.4519).

* At 31 December 2016, financial assets and liabilities were valued at "last-sale" price for both ASX and financial accounts reporting. The difference at 31 December 2016 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 2016):

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) Corporate bonds;
- (iii) Short equity swaps and short futures; and
- (iv) Foreign currency forward contracts.

The following table details the Company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy model. The Company has no assets or liabilities that are classified as Level 3.

	Level 1 \$'000	Level 2 \$'000	Total \$'000
31 Dec 16			
<i>Assets</i>			
Equity securities	330,275	6,669	336,944
Corporate bonds	-	309	309
Derivatives	1,339	529	1,868
Foreign currency forward contracts	-	1,070	1,070
Total assets	331,614	8,577	340,191
<i>Liabilities</i>			
Derivatives	-	28	28
Foreign currency forward contracts	-	3,811	3,811
Total liabilities	-	3,839	3,839
31 Jun 16			
<i>Assets</i>			
Equity securities	287,197	11,962	299,159
Corporate bonds	-	278	278
Derivatives	-	166	166
Foreign currency forward contracts	-	1,409	1,409
Total assets	287,197	13,815	301,012
<i>Liabilities</i>			
Derivatives	284	350	634
Foreign currency forward contracts	-	2,527	2,527
Total liabilities	284	2,877	3,161

The totals presented above can be reconciled to Note 3 or Note 4 and the Statement of Financial Position.

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 half-year ended 31 December 2016, one Vietnamese stock with a market value of \$2.7m was transferred from level 2 to 1 as the stock is now trading on an active market (London Stock Exchange).

Rationale for classification of assets and liabilities as level 1

At 31 December 2016, 98% 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.

Note 11. Fair value measurement (continued)

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

The Investment Manager, Platinum Investment Management Limited, receives a monthly management fee for the investment services provided in accordance with the Investment Management Agreement. The management fee is calculated and payable monthly at a rate of 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 2016, pre-tax performance of the portfolio was 9.89% and the corresponding MSCI 9.57%. This represents an underperformance of 0.32% against the MSCI in the current year. The brought forward prior year underperformance to 30 June 2016 was 15.21% and this means that total aggregate underperformance of 14.89% needs to be recovered before a performance fee will be paid.

	31 Dec 16	31 Dec 15
	\$'000	\$'000

Fees paid and payable for the half-year ended 31 December 2016 are shown below:

Management fees	1,973	2,921
-----------------	-------	-------

Note 12. Investment Manager (continued)

The reason for the reduction in the management fees was that management fees for the previous comparative period were calculated and paid at a rate of 1.5% per annum, under the old fee structure.

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

Management 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 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 table below presents Non-Executive Directors remuneration including superannuation paid and payable for the half-year ended 31 December 2015.

	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	240,000	-	-	240,000
Richard Morath	32,400	-	-	32,400
Jim Clegg	20,000	15,000	-	35,000

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 16 \$	31 Dec 15 \$
<i>Audit services relating to the financial statements</i>		
Audit and review of the financial statements	<u>72,693</u>	<u>69,556</u>
<i>Other services</i>		
Taxation services	18,441	18,582
Analytical and assurance services – fee modelling*	<u>-</u>	<u>15,300</u>
	<u><u>91,134</u></u>	<u><u>103,438</u></u>

*PwC was engaged to provide fee modelling analysis in relation to the management and performance fees payable, when comparing with the old fee structure (effective up to 31 December 2015) to the current fee structure (effective on and from 1 January 2016).

Note 15. Contingent liabilities

No contingent liabilities exist as at 31 December 2016. 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 declared as disclosed in note 7 and the Directors' report, there are no other matters or circumstances that have arisen since 31 December 2016 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 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

Bruce Coleman
Chairman

Richard Morath
Director

16 February 2017
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 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 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 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*.

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 2016 and of its performance for the half-year ended on that date;

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



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

PricewaterhouseCoopers

Joe Sheeran
Partner

Sydney
16 February 2017