

Appendix 4E

Preliminary final Report

Listing Rule 4.3A

| | |
|-----------------------------------|---------------------------------|
| Company | Platinum Capital Limited |
| ASX Code | PMC |
| Year ended | 30 June 2017 |
| Previous corresponding year ended | 30 June 2016 |
| ABN | 51 063 975 431 |

Results for Announcement to the Market

Announcement to the market should be read in conjunction with the 30 June 2017 financial report:

| | % Movement | \$A'000 |
|---|------------|---------|
| Total investment income | 479.5% | 77,086 |
| Profit from ordinary activities after tax attributable to members | 366.1% | 49,927 |
| Net profit for the year attributable to members | 366.1% | 49,927 |

The Company has benefitted from strong stock selection in each of the key regions of Asia, Europe and North America.

Despite the strong increase in investment income and net profit, the Directors consider that pre-tax Net Tangible Assets (NTA), after fees and expenses, combined with the flow of dividends is a better measure of performance of the Company. For the 12 months to 30 June 2017, the Company's pre-tax NTA increased from \$1.44 per share to \$1.63 per share. In addition, shareholders received 8 cents per share in dividends during the year ended 30 June 2017.

The compound annual appreciation of the Company's net assets to 30 June 2017 compared to the benchmark over 12 months, 3 years, 5 years and since inception (June 1994), based on the movement in net assets after fees, expenses and taking into account capital flows (primarily from the Placement and Share Purchase Plan) and assuming the reinvestment of dividends, is shown in the table below:

| Investment Performance | 12 months | 3 years | 5 years | Since inception |
|--------------------------------------|------------------|----------------|----------------|------------------------|
| PMC's performance | 19.79% | 9.32% | 16.88% | 12.37% |
| MSCI AC World Net Index in \$A terms | 15.31% | 12.32% | 17.14% | 6.67% |

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 and MSCI. 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

| | |
|--|---------------------------------|
| Final dividend declared | 6 cents per share fully-franked |
| Ex-date | 22 August 2017 |
| Record date | 23 August 2017 |
| The last date for receipt of election notices for the dividend reinvestment plan | 24 August 2017 |
| Payable date | 11 September 2017 |

A 4 cents per share fully-franked interim dividend was paid on 13 March 2017. The total interim and final dividend for the year is 10 cents per share.

The Company's ability to pay franked dividends is dependent on the Company paying income tax. At 31 July 2017, the Company had a realised franking account balance of 3.36 cents per share, which has resulted in a capacity to pay a possible maximum fully-franked dividend of 7.84 cents per share. We are not paying out the full 7.84 cents per share as 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.

The payment of a 6 cents per share fully-franked dividend reflects the much stronger result this year and the Director's desire to reward shareholders appropriately while maintaining a healthy dividend profit reserve.

Shares on issue totalled 283,753,284 at 30 June 2017.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan is in operation and the final dividend of 6 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 final 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 audited financial statements and financial information summary for financial data on the Company.
- Refer to the attached Chairman's report

Joanne Jefferies
Company Secretary
17 August 2017

PLATINUM CAPITAL LIMITED

Chairman's Report 2017

Highlights

2017 has been a strong year for Platinum Capital Limited ("PMC" or the "Company") and I am pleased to report the following highlights:

- Investment performance as measured by the growth of its pre-tax Net Tangible Assets (NTA) increased by 19.79% for the 12 months to 30 June 2017, outperforming the benchmark by 4.48%;
- Net profit after tax was \$49.9 million;
- The Company declared a fully-franked final dividend of 6 cents per share, bringing the total dividends declared for the 2017 financial year to 10 cents per share, an increase of 3 cents per share from the previous year;
- The Company is not affected by the recent small company tax changes and will be able to distribute franking credits for the 2017 financial year at a tax rate of 30%; and
- The Company successfully completed a capital-raising resulting in additional aggregate gross proceeds of \$70.1 million, which increased the Company's capital in terms of dollar value by 22.7%.

Investment Performance

In the 2016 Chairman's Report, I noted that there would be short-term periods where returns are below benchmark, because PMC's portfolio is structured quite differently to that of its benchmark index, due to PMC's investment philosophy and process.

I am pleased to report that for FY 2017, PMC turned around this short-term underperformance, validating the Investment Manager's well-tested value-driven style, which is doggedly index agnostic and goes against the crowd.

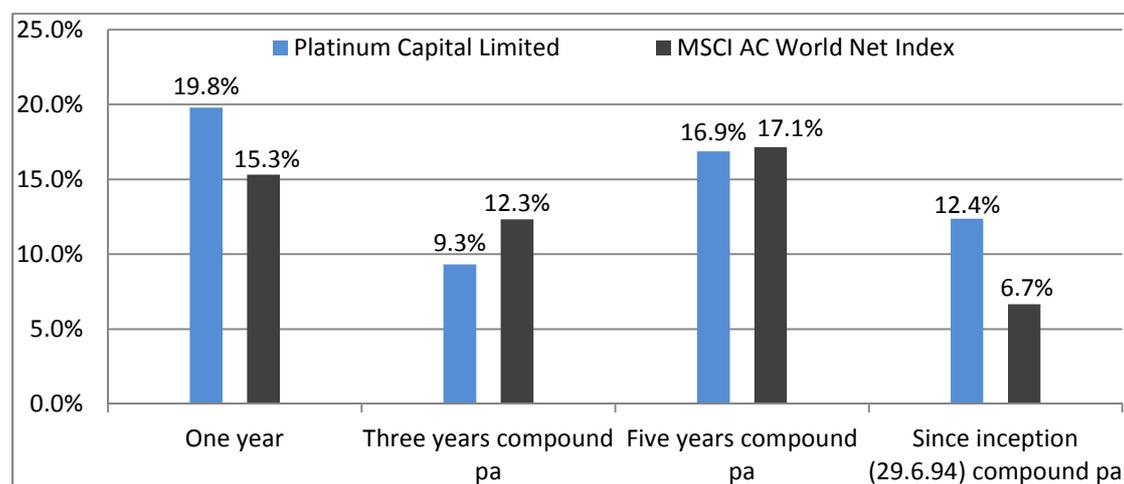
For the year ending 30 June 2017, the Company's NTA increased by 19.79% pre-tax in \$A terms against the return of its benchmark, the Morgan Stanley Capital International (MSCI) All Country World Net Index in \$A, which delivered a return of 15.31% for the same period. The Company comfortably outperformed the benchmark, during this period whilst maintaining a net equity exposure on average of approximately 80%, due to the Investment Manager's downside protection philosophy. The comparable return from the Australian All Ordinaries Accumulation Index was 12.80%, over the same period. It should be noted that the Company's returns are calculated after the deduction of fees and expenses and assume the reinvestment of dividends.

The key drivers of PMC's performance were companies in the Asian region, led by information technology and financials. The Company has continued to heavily favour companies in Asia, especially China and India, over those in the United States. At 30 June 2017, PMC had more than 37% net equity exposure to Asia versus only about 4% net equity exposure to the US.

Since inception (in 1994) and until 30 June 2017, the compound annual appreciation of the Company's NTA has been 12.37% per annum compared to the return from the MSCI All Country World Net Index \$A of 6.67%. The comparable compound annual return from the Australian All Ordinaries Accumulation Index was 9.12% over the same period.

The Board believes that the Company's long-term track record demonstrates the success of the investment philosophy and process of the Company's Investment Manager.

PMC's Pre-Tax Net Tangible Assets (NTA) return (%) versus MSCI index[^] to 30 June 2017 (%)



[^] Morgan Stanley Capital International All Country World Net Index in A\$

Pre-tax NTA return is calculated on a net assets basis, and after the deduction of management fees and other expenses. The investment returns shown are historical and no warranty can be given for future performance.

Source: Platinum Investment Management Limited and MSCI. 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.

For the year ended 30 June 2017, the Company made a statutory pre-tax operating profit of \$71.1 million and a post-tax operating profit of \$49.9 million. For the prior year, the pre-tax operating loss was \$26.8 million and the post-tax operating loss was \$18.8 million.

Under Australian Accounting Standards, realised profits and losses are added to, or reduced by unrealised changes in the market value of the Company's total assets. This can lead to large variations in recorded statutory profits or losses from any one year to the next.

The Directors continue to maintain that a more appropriate measure of the Company's results is the percentage change in its pre-tax NTA plus dividends paid. On this measure, the Company has achieved a return of 19.79% for the 12 months to 30 June 2017.

Dividends

A fully-franked dividend of 6 cents will be paid for the year ended 30 June 2017, making 10 cents for the full year, representing an increase of 3 cents from the previous year.

Based on the 30 June 2017 share price of \$1.685, this represents a dividend yield of 5.93% or 8.48% including franking credits.

The Board remains committed to its policy of dividend smoothing, and endeavours to ensure that there are sufficient franking credits available to pay fully-franked dividends. The ability to generate fully-franked dividends will continue to be dependent on the Company's ability to generate realised profits and pay tax.

To the extent that any profits are not distributed as dividends, the Company has a policy, where it may set aside some or all of its undistributed profits to a separate dividend profit reserve, to facilitate the payment of future fully-franked dividends. The benefit of the dividend profit reserve for the Company is that it will have a pool of undistributed profits available for distribution, subject to the balance of the franking account.

I can confirm that for the year ended 30 June 2017, PMC is not affected by any changes in the small company tax rate and PMC will be able to distribute franking credits at a tax rate of 30%, because PMC's turnover for the year exceeded the \$10 million threshold.

Capital Management

(i) Amendment of capital management policy

In February 2017, the Board amended the Company's 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 as follows:

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 including rights offers, share purchase plans or placements; or
- the use of share buy-backs.

(ii) Capital management initiatives conducted

In March/April 2017, PMC successfully completed a placement to sophisticated and professional investors, raising gross proceeds of approximately \$53.5 million, in response to strong demand from institutional investors.

In addition, PMC offered a Share Purchase Plan (SPP) to eligible shareholders and the SPP raised gross proceeds of approximately \$16.6 million.

The aggregate gross proceeds of \$70.1 million raised, increased the Company's capital in terms of dollar value by 22.7%.

Corporate Governance

As shareholders would be aware, PMC's funds are ultimately managed by Platinum Investment Management Limited through two key agreements previously approved by shareholders: the Investment Management Agreement and the Administration Services Agreement.

In the past year, the Non-Executive Directors report that they have continued to monitor the performance of the Investment Manager and its adherence to the agreements with the full and transparent co-operation of Platinum Investment Management Limited and its management team. Accordingly, I am confident in the integrity and reporting of the Company's financial results to shareholders.

Outlook for 2017-2018

As recently highlighted by the Investment Manager, *"Investors should be cautious in the year ahead. This caution applies in particular to the US market."*

However, the Investment Manager notes that *"Asia and Europe, on the other hand, seem to be offering better opportunities. Despite their strong returns over the last year, our Asian and European investments are still showing a combination of attractive absolute valuations and underlying earnings growth, which we think will see these investments continue to produce good returns over the next three to five years."*

Finally

The 12 month performance of the Company continues to endorse the investment philosophy, process and expertise of the Investment Manager. Accordingly, I wish to express my appreciation of the work done by Kerr Neilson, Andrew Clifford and their team at Platinum over the last year.

Bruce Coleman
Chairman
17 August 2017

Financial Information Summary

30 June 2017

+19.79%
12 month
performanceⁱ
(based on Pre-Tax NTA)

6c
Final fully-franked
dividend

5.93%
Dividend yieldⁱⁱ

| | |
|---|-------------|
| Inception Date | 29-Jun-94 |
| Market capitalisation | \$478.12m |
| Share price | \$1.685 |
| Shares on issue | 283,753,284 |
| Total 12 month shareholders return ⁱⁱⁱ | 8.95% |
| Net Tangible Asset (pre-tax) per share | \$1.6337 |
| Net Tangible Asset (post-tax) per share | \$1.5679 |
| Net assets | \$445.58m |
| Profit for the year | \$49.9m |
| Dividend profit reserve ^{iv} | 24.82cps |
| Fully-franked dividend capacity ^v | 1.84cps |

The Company's (PMC or PCL) pre-tax Net Tangible Assets (NTA) compound return since inception to 30 June 2017 was 12.37% per annumⁱ.

Cumulative performanceⁱ since inception to 30 June 2017 on a pre-tax NTA measure 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 30 June 2017 ^{vi} | 217 | 217 |
| Periods where return was positive (% of total) | 96% | 59% |
| Periods where return was negative (% of total) | 4% | 41% |
| 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) | 73% | 38% |
| Periods where PMC return was > MSCI (% of total) | 76% | NA |

ⁱ The pre-tax NTA return is calculated on a net basis after the deduction of fees, expenses and taking into account capital flows (primarily the Placement and the Share Purchase Plan), and assumes the re-investment of dividends.

ⁱⁱ Dividend yield is based on the 2017 interim final dividend of 4 cents per share and 2017 final dividend of 6 cents per share and the share price as at 30 June 2017.

ⁱⁱⁱ Based on share price movements and dividends physically paid during the year, being the 2016 final dividend of 4 cents per share and the 2017 interim dividend of 4 cents per share.

^{iv} Dividend profit reserve includes transfer of the 2017 profit after tax and after providing for the 2017 final dividend of 6 cents per share.

^v This is the maximum fully-franked dividend that can be paid based on the franking credit balance as at 17 August 2017 after providing for the 2017 final dividend of 6 cents per share.

^{vi} Commencing each month since inception to 30 June 2017.

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Platinum Capital Limited

ABN 51 063 975 431

Financial Report - 30 June 2017

| | |
|------------------------------|---|
| 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 | 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) |

The shareholder information set out below was applicable as at 14 August 2017.

Distribution of equity securities

Analysis of number of equity security holders by size of holding:

| | Number of holders of ordinary shares |
|--|---|
| 1 to 1,000 | 1,008 |
| 1,001 to 5,000 | 2,309 |
| 5,001 to 10,000 | 2,423 |
| 10,001 to 100,000 | 5,803 |
| 100,001 and over | 290 |
| | <u>11,833</u> |
| Holding less than a marketable parcel (of \$500) | <u>564</u> |

Substantial holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | ORDINARY SHARES | |
|---|-------------------|----------------------------|
| | NUMBER HELD | % OF TOTAL SHARE ISSUED |
| Sysha Pty Limited | 14,000,000 | 4.93 |
| HSBC Custody Nominees (Australia) Limited | 7,889,334 | 2.78 |
| Australian Executor Trustees Limited | 4,400,439 | 1.55 |
| Lekk Pty Limited | 4,000,000 | 1.41 |
| Nulis Nominees (Australia) Limited | 2,684,447 | 0.95 |
| Jorlyn Pty Limited | 2,000,000 | 0.70 |
| Mr William Kerr Neilson | 1,977,646 | 0.70 |
| Moya Pty Limited | 1,694,406 | 0.60 |
| IOOF Investment Management Limited | 1,338,763 | 0.47 |
| Navigator Australia Limited | 1,115,209 | 0.39 |
| BNP Paribas Nominees Pty Limited | 987,174 | 0.35 |
| Forsyth Barr Custodians Limited | 868,977 | 0.31 |
| HSBC Custody Nominees (Australia) Limited - a/c 2 | 708,979 | 0.25 |
| Mr Raymond Ireson | 687,445 | 0.24 |
| Netwealth Investments Limited | 602,554 | 0.21 |
| O'Keefe Aus Holdings Pty Limited | 587,000 | 0.21 |
| Mr Robert John Webb | 500,000 | 0.18 |
| Bond St Custodians Limited | 444,337 | 0.16 |
| Fay Fuller Foundation Pty Limited | 436,800 | 0.15 |
| James & Diana Ramsay Foundation Pty Limited | 425,400 | 0.15 |
| | <u>47,348,910</u> | <u>16.69</u> |

There are no substantial holders in the Company.

Voting rights

Ordinary shares

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.

Distribution of Annual Report to Shareholders

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

Financial Calendar

22 August 2017 - Ordinary shares trade ex-dividend

23 August 2017 - Record (books close) date for dividend

11 September 2017 - Dividend paid

These dates are indicative and may be changed.

Notice of Annual General Meeting (AGM)

The details of the Annual General Meeting of Platinum Capital Limited are:

10am Thursday 26 October 2017

Museum of Sydney

Corner of Phillip & Bridge Streets

Sydney

NSW 2000

Questions for the AGM

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

Company Structure

Platinum Capital Limited (the “Company” or “PMC”) is a listed investment company, or LIC, quoted on the Australian Securities Exchange (“ASX”) and traded in the same way as other listed shares. Being a LIC, in contrast to unlisted managed investment schemes, the Company:

- is closed-ended and therefore not open for subscriptions or redemptions by investors, which means that the underlying portfolio can be managed without concern for the possibility of unplanned, fluctuating cashflows;
- is taxed at source and can therefore distribute available profits to shareholders in the form of dividends, usually fully-franked; and
- has established a dividend profit reserve which enables some smoothing of dividends, from year to year, at the discretion of the Board.

Shares in the Company can trade at a premium or discount to their Net Tangible Asset Backing per share (“NTA”), which is calculated and announced to the ASX weekly and monthly. Investors should take this into account when making decisions to purchase or sell shares in the Company.

The Company delegates its investment and administration functions to Platinum Investment Management Limited (trading as Platinum Asset Management) (the “Manager”), which employs a team of experienced investment professionals and administration personnel to perform those services. The Company and the Manager are separate legal entities.

Investment Objectives

The principal activity of the Company during the year was the investment of funds internationally into securities of companies, which are perceived by the Investment Manager, Platinum Investment Management Limited, to be undervalued. Its key investment objectives are to:

- deliver attractive returns to shareholders over time, made up of capital growth and fully-franked dividends; and
- contain capital losses by mitigating the impact of market downturns.

In addition, the Company seeks to enhance the consistency of fully-franked dividends by partially reserving profits in years of strong performance to be utilised for distribution to shareholders in periods of lower returns.

While generating attractive returns is the Company’s primary objective, the Manager also believes it has an important responsibility to manage the risk of capital losses and employs a variety of strategies to achieve this. As a result, the Company may not be 100% invested in the equity markets.

At times these objectives will be in conflict as strategies to manage downside risk can have the accompanying effect of reducing potential upside. Also, protective strategies may be implemented in advance of a downturn and sometimes well in advance. Hence, by comparison with a fully-invested long-only approach, the Company is less likely to outperform the benchmark during bull markets and more likely to outperform during bear markets.

Over the longer term, in pursuing these dual objectives, the Manager aims to achieve net returns (i.e. after all fees and expenses) that are close to or exceed the benchmark Morgan Stanley Capital International All Country World Net Index (MSCI) in \$A terms, but with reduced impairment of capital following serious downturns.

Investment Methodology

The Manager’s index-agnostic investment approach has been well tested over many years. The principles on which it is based have not varied since the Company’s inception, although the process has evolved and been refined over time.

The Manager seeks to invest globally in a broad range of companies whose businesses and growth prospects are, in its view, being inappropriately valued by the market. Just as optimism and pessimism ebb and flow in stock markets, similar sentiments also affect individual companies. This means that transitory events often have a disproportionate effect on the share prices of companies, be they positive or negative, and there is thus a tendency for share prices to deviate significantly from their inherent trend line. The Manager’s investment methodology seeks to identify and take advantage of the opportunities created by the divergence between a company’s share price and its intrinsic value.

The Manager uses various devices to make sense of the universe of stocks around the world, including using both quantitative and qualitative screening to short-list companies for in-depth study. After identifying key themes and preferred industries, with due consideration of the macro environment, the portfolio is then built up through a series of individual stock selections based on detailed fundamental research. Care is taken to understand and monitor the inter-relationship of stocks within the portfolio.

The Manager's investment team is based in Sydney, Australia. Having a single location facilitates the cross pollination of ideas and free flow of information between analysts with different geographic and industry responsibilities. It has the further benefit that distance acts as a filter, enabling a more objective assessment of "noisy" markets. The research process, however, is well supported by extensive visits to companies and key regions.

The wealth of research and detailed analysis that leads to the addition/retention/reduction of a stock in the portfolio takes form in a disciplined reporting process that is subject to the scrutiny of divergent thinking peers. This process serves to challenge and encourage analysts and to "test" investment theses, as well as add accountability to the process.

For a more detailed description of Platinum Investment Management Limited's investment process, we encourage you to visit Platinum's website.

Managing Currency Exposures

International equity investments create an exposure to foreign currency fluctuations, which can change the value of the equity investments measured in the reporting currency of the Company's portfolio, which is the Australian dollar. It is part of the Company's investment strategy to assess the potential returns and risks created by currency exposures and to seek to position the portfolio with the aim of capturing those returns while minimising those risks. The aim is for the Company's portfolio to be exposed to the greatest extent possible to appreciating currencies and to a minimum to depreciating currencies. Accordingly, the level of the Company's hedging back into the Australian dollar will depend on the Manager's expectation of future movements in currency exchange rates. This is consistent with the Company's strategy of investing in securities of companies from a global rather than a currency perspective.

The Manager may manage the currency exposures of the Company's portfolio using foreign currency forward contracts, currency swaps, non-deliverable forwards and currency options, as well as spot foreign exchange trades.

As part of its investment process, the Manager may also assess the indirect impact of currency on the companies that it intends to invest in (e.g. the impact of currency fluctuations on a manufacturing business with significant export sales) and the potential for exchange rate movements to amplify or diminish Australian dollar returns for a holding. The investment of cash holdings may also be undertaken with consideration of the potential impact of currency movements (as well as interest rate and credit risk considerations).

Strategies Aimed at Containing Losses and Delivering Solid Absolute Returns

Strategies aimed at containing capital losses include adjusting cash levels, deploying funds from overvalued to undervalued regional markets, short selling and various derivative strategies.

Timing the implementation of these strategies is always challenging and, though the rewards can be gratifying, patience is often required. The nature of markets means it can take some time for inappropriately valued regional markets, industry sectors or individual stocks to become more widely recognised and to revert to a level close to their inherent value.

The Manager has historically maintained an effective cash level at between 15% and 30% of the portfolio. In the event of a significant downturn, cash positions not only act as a valuable cushion, but also provide much needed "fire power" to take advantage of the outstanding opportunities that inevitably become available. This in turn can greatly facilitate the portfolio to recover lost ground.

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 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 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 solid return after all fees and charges of 12.4% compound per annum (p.a), thereby outperforming the MSCI benchmark over that time by 5.7% compound p.a¹.

1. The investment returns are calculated using PMC's pre-tax Net Tangible Asset Backing per share (as released to the ASX) and represent the combined income and capital return of the investments for the specified period. They are after fees and expenses, 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.

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In respect of the year ended 30 June 2017, the Directors of Platinum Capital Limited (the "Company") submit the following report prepared in accordance with a resolution of the Directors.

Directors

The following persons were Directors of the Company during the whole of the financial 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 principal activity of the Company during the year was the investment of funds internationally into securities of companies, which are perceived by the Investment Manager, Platinum Investment Management Limited, to be undervalued.

Operating and Financial Review

The net profit before tax was \$71,063,000 (2016: loss of \$26,791,000) and net profit after tax was \$49,927,000 (2016: loss of \$18,764,000). The income tax expense for the year was \$21,136,000 (2016: benefit of \$8,027,000).

During the year, the Company conducted a Placement to sophisticated and professional investors and a Share Purchase Plan ("SPP") to its existing investors. The gross proceeds raised were \$70.1 million.

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 12 months to 30 June 2017, the Company's pre-tax NTA increased from \$1.44 per share to \$1.63 per share. In addition, shareholders received 8 cents per share in dividends during the year ended 30 June 2017.

For the 12 months to 30 June 2017, the Company's net assets on a pre-tax basis, after fees, expenses and taking into account capital flows (primarily from the Placement and the Share Purchase Plan), and assuming reinvestment of dividends, increased by 19.79% whereas the benchmark Morgan Stanley Capital International All Country World Net Index (MSCI) in \$A terms increased by 15.31%. The Company's 3 year pre-tax compound net assets return was 9.32% per annum (versus the benchmark return of 12.32% per annum) and the Company's 5 year pre-tax compound net assets return was 16.88% per annum (versus the benchmark return of 17.14% per annum).

The Company has benefitted from strong stock selection in each of the key regions of Asia, Europe and North America.

The portfolio's P/E is around 15 times forward earnings, which the Investment Manager believes compares favourably with the valuation of both the Australian market and the US market.

This is a strong result, considering the Company had only around 80% exposure to equity markets during the year. In addition, the MSCI, as we have frequently alluded to, is heavily weighted to the US market (54%) which appears to be over-valued and expensive.

The Investment Manager has identified three key risks being the:

- overvaluation of the US market (managed via shorts);
- devaluation of the Chinese currency (managed by short selling the Chinese Yuan); and
- rising Australian Dollar.

The Investment Manager recently noted that "Asia and Europe seem to be offering better opportunities. Despite their strong returns over the last year, our Asian and European investments are still showing a combination of attractive absolute valuations and underlying earnings growth, which we think will see these investments continue to produce good returns over the next three to five years."

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

Dividends

On 17 August 2017, the Directors declared a final 2017 fully-franked dividend of 6 cents per share (\$17,025,000), with a record date of 23 August 2017, payable to shareholders on 11 September 2017, out of the dividend profit reserve. After the payment of the 2017 final dividend, the balance in the dividend profit reserve is \$70,420,000, which translates to 24.82 cents per share, based on the shares on issue at the date of this report. For the comparative reporting period, a fully-franked dividend of 4 cents per share (\$9,413,000) was paid.

The 2 cents increase in the final dividend reflects a much stronger result for the year and the Director's desire to reward shareholders appropriately while still maintaining a healthy dividend profit reserve.

The dividend reinvestment plan (DRP) is offered at a 2.5 per cent discount to the relevant share price.

Capital Management

(i) Capital management policy

During the year, the Board 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 as follows:

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.

(ii) Capital management initiatives

During the year, the Company conducted a placement (Placement) of shares to sophisticated and professional investors. Under the Placement, 35,440,000 additional shares were issued, raising gross proceeds of approximately \$53.5m. Funds raised enhanced the ability of the Investment Manager to take advantage of global investment opportunities, with the aim of delivering strong absolute returns for investors over the medium and longer-term. The increase in the capital base reduced the Company's fixed costs as a percentage of its net assets, enhanced liquidity and enhanced the relevance of the Company to the broader market.

At the same time, the Company also conducted a Share Purchase Plan (SPP) which was targeted at smaller shareholders, by allowing them to also increase their stake in the Company. Under the SPP, 11,038,308 additional shares were issued raising gross proceeds of approximately \$16.6m.

Matters Subsequent to the End of the Financial Year

Apart from the dividend declared, no other matter or circumstance has arisen since 30 June 2017 that has 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.

Likely Developments and Expected Results of Operations

The Company will continue to pursue its key investment objectives, which are to deliver attractive returns to shareholders over time, made up of capital growth and fully-franked dividends and contain capital losses by mitigating the impact of market downturns. The methods of operating the Company are not expected to change in the foreseeable future.

Environmental Regulation

The Company is not adversely impacted by any particular or significant environmental regulation under Commonwealth, State or Territory law.

Information on Directors

Bruce Coleman BSc, BCom, CA, FFin

Chairman since 5 June 2015, Non-Executive Director since April 2004 and member of the Audit, Risk and Compliance Committee. (Age 67)

Mr Coleman has worked in the finance and Investment industry since 1986. He was the CEO of MLC Investment Management from 1996 to 2004. Mr Coleman has held various directorships within MLC Limited, Lend Lease and the National Australia Banking group. Mr Coleman was a Non-Executive Director of Platinum Asset Management Limited until 19 June 2017. Mr Coleman is Chairman of Resolution Capital Limited and in 2015, Mr Coleman was appointed as Chairman and Non-Executive Director of Platinum Asia Investments Limited.

Richard Morath BA, FIAA, ASIA

Independent, Non-Executive Director since March 2009 and Chairman of the Audit, Risk and Compliance Committee. (Age 68)

Mr Morath has over 43 years of experience in life insurance, funds management, banking and financial planning. Mr Morath is currently Non-Executive Director and Chairman of the Advice & Licences Boards of all Financial Planning companies in National Australia Bank/MLC and Chairman of National Australia Trustees. Mr Morath is also a Director of JANA Investment Advisors Limited, BNZ Life and Chairman of BNZ Investments Services Limited, and Mr Morath was appointed as a Director of ASX listed, Wealth Defender Equities Limited in 2015.

Jim Clegg BRurSc (Hons), DipAgEc

Independent, Non-Executive Director since 5 June 2015 and member of the Audit, Risk and Compliance Committee. (Age 67)

Mr Clegg has over 29 years of experience in the financial services industry. Mr Clegg was the founding MD of Pembroke Financial Planners and has been a Director of Godfrey Pembroke, Berkley Group and Centric Wealth. Mr Clegg is a Trustee of The Walter and Eliza Hall Trust.

Meetings of Directors

The number of meetings of the Company's Board of Directors (the "Board") held during the year ended 30 June 2017, and the number of meetings attended by each Director were:

| | Board | | Audit, Risk and Compliance Committee | |
|----------------|----------|------|--------------------------------------|------|
| | Attended | Held | Attended | Held |
| Bruce Coleman | 6 | 6 | 4 | 4 |
| Richard Morath | 6 | 6 | 4 | 4 |
| Jim Clegg | 6 | 6 | 4 | 4 |

Indemnity and Insurance of Officers

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

Indemnity and Insurance of Auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company.

Non-Audit Services

Details of the amounts paid or payable to the auditor for other (taxation and analytical) services provided during the financial year by the auditor are outlined in Note 20 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 20 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110: *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board.

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 page 13.

Auditor

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

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Bruce Coleman
Chairman

Richard Morath
Director

17 August 2017
Sydney

Executive Summary

There were only three officers remunerated by the Company during the year (the Non-Executive Directors).

- There has only been one increase in base pay for the Company Chairman and other Non-Executive Directors in the last 13 years.
- The Company does not pay bonuses to any of its Directors.
- Despite the approval of shareholders to pay Non-Executive Directors remuneration up to \$350,000 per annum, only \$186,150 in aggregate was paid to the three Directors in 2017 (2016: \$186,150).

Introduction

The Directors of Platinum Capital Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the year ended 30 June 2017.

The information provided in this Remuneration Report forms part of the Directors' Report and has been audited by the Company's auditor, PricewaterhouseCoopers, as required by section 308 of the *Corporations Act 2001*.

Key Management Personnel ("KMP")

For the purposes of this report, the KMP of the Company in office during the financial year were:

| Name | Position |
|----------------|-------------------------------------|
| Bruce Coleman | Chairman and Non-Executive Director |
| Richard Morath | Non-Executive Director |
| Jim Clegg | Non-Executive Director |

Shareholders' Approval of the 2016 Remuneration Report

A 25% or higher "no" vote on the remuneration report at an AGM triggers a reporting obligation on a listed company to explain in its next Annual Report how concerns are being addressed.

At the last AGM, the Company Remuneration Report passed on a show of hands, after proxies indicated a "for" vote of 81.02%. Despite this outcome, we have set out to fully explain the basis and structure of the remuneration paid to KMP.

Non-Executive Director Remuneration

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

The aggregate amount of remuneration that can be paid to the Non-Executive Directors, which was approved by shareholders at the 2005 Annual General Meeting, was \$350,000 per annum (including superannuation). Despite the ability to pay remuneration up to this level, only \$186,150 in aggregate was paid to the three Directors in 2017 (2016: \$186,150).

Principles, Policy and Components of Non-Executive Directors' Remuneration

Remuneration paid to the Non-Executive Directors is designed to ensure that the Company can attract and retain suitably qualified and experienced directors.

It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Non-Executive Directors.

Non-Executive Directors received a fixed fee and mandatory superannuation.

Directors do not receive performance-based or earnings-based remuneration and are not eligible to participate in any equity-based incentive plans.

Remuneration for the Non-Executive Directors is reviewed annually by the Board and set at market rates commensurate with the responsibilities borne by the Non-Executive Directors. Independent professional advice may be sought. No other retirement benefits (other than mandatory superannuation) are provided to the Directors.

There has only been one increase in base pay for the Company Chairman and other Non-Executive Directors in the last 13 years.

Remuneration for Non-Executive Directors

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

| | Cash Salary | Superannuation | Short-term incentives | Long-term incentives | Total |
|--------------------|-------------|----------------|-----------------------|----------------------|---------|
| Name | \$ | \$ | \$ | \$ | \$ |
| Bruce Coleman | | | | | |
| FY 2017 | 60,000 | 5,700 | - | - | 65,700 |
| FY 2016 | 60,000 | 5,700 | - | - | 65,700 |
| Richard Morath | | | | | |
| FY 2017 | 55,000 | 5,225 | - | - | 60,225 |
| FY 2016 | 55,000 | 5,225 | - | - | 60,225 |
| Jim Clegg | | | | | |
| FY 2017 | 55,000 | 5,225 | - | - | 60,225 |
| FY 2016 | 55,000 | 5,225 | - | - | 60,225 |
| Total remuneration | | | | | |
| FY 2017 | 170,000 | 16,150 | - | - | 186,150 |
| FY 2016 | 170,000 | 16,150 | - | - | 186,150 |

Employment Arrangements of KMP

The key aspects of the KMP contracts are as follows:

- Remuneration and other terms of employment for Directors are formalised in letters of appointment that all Directors signed.
- All contracts with Directors include the components of remuneration that are to be paid to KMP and provide for annual review, but do not prescribe how remuneration levels are to be modified from year to year.
- The tenure of the Directors is subject to approval by shareholders at every third AGM or other general meeting convened for the purposes of election of Directors.
- In the event of termination, all KMP are only entitled to receive their statutory entitlements.
- Directors may resign by written notice to the Chairman and where circumstances permit, it is desirable that reasonable notice of an intention to resign is given to assist the Board in succession planning.

Link between the Remuneration of the Directors and Company Performance

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------|------------------------|------------------------|------------------------|---------|
| Total net investment income/(loss) (\$'000) | 77,086 | (20,310) | 71,098 | 53,662 | 79,555 |
| Expenses (\$'000) | (6,023) | (6,481) ⁽¹⁾ | (7,579) ⁽¹⁾ | (6,857) ⁽¹⁾ | (4,707) |
| Profit/(loss) after tax (\$'000) | 49,927 | (18,764) | 44,826 | 32,885 | 58,802 |
| Earnings per share (cents per share) | 20.03 | (8.00) | 19.29 | 16.22 | 35.53 |
| Dividends (cents per share) | 10.0 | 7.0 | 11.0 | 8.0 | 7.0 |
| Net Tangible Asset Backing (pre-tax) (30 June) (\$ per share) | 1.63 | 1.44 | 1.70 | 1.64 | 1.51 |
| Closing share price (30 June) (\$) | 1.685 | 1.62 | 1.77 | 1.765 | 1.45 |
| Total fixed remuneration (salary and superannuation) paid (\$) | 186,150 | 186,150 | 169,725 | 169,338 | 168,950 |

The remuneration of the Directors is not linked to the performance of the Company.

⁽¹⁾Expenses were lower in 2017 and 2016 and this related to the reduced management fee rate of 1.1% that applied from 1 January 2016. The increase in expenses from 2014 was primarily due to the increased portfolio size and the impact that this had on those costs that move in line with the increased portfolio size.

Interests of Directors in shares

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 | 9,972 | - | 249,972 |
| Richard Morath | 32,400 | 9,972 | - | 42,372 |
| Jim Clegg | 20,000 | 39,972 | - | 59,972 |



Auditor's Independence Declaration

As lead auditor for the audit of Platinum Capital Limited for the year ended 30 June 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
17 August 2017

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Liability limited by a scheme approved under Professional Standards Legislation.

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General information

The financial statements cover Platinum Capital Limited as an individual entity. The 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 financial statements were authorised for issue, in accordance with a resolution of Directors, on 17 August 2017. The Directors have the power to amend and reissue the financial statements.

Platinum Capital Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017



| | Note | 2017 \$'000 | 2016 \$'000 |
|---|------|----------------------|------------------------|
| Investment income | | | |
| Dividends | | 9,282 | 11,476 |
| Interest | | 255 | 113 |
| Net gains/(losses) on equities/derivatives | | 69,054 | (31,203) |
| Net gains/(losses) on foreign currency forward contracts | | 53 | (1,923) |
| Net foreign exchange gains/(losses) on overseas bank accounts | | (1,558) | 1,227 |
| Total net investment income/(loss) | | <u>77,086</u> | <u>(20,310)</u> |
| Expenses | | | |
| Management fees | 19 | (4,253) | (4,845) |
| Non-capitalised expenses in relation to the Placement and Share Purchase Plan | 8 | (105) | - |
| Custody | | (270) | (245) |
| Share registry | | (278) | (239) |
| Continuous reporting disclosure | | (199) | (190) |
| Directors' fees | | (186) | (186) |
| Auditor's remuneration and other services | 20 | (87) | (162) |
| Transaction costs | | (449) | (362) |
| Other expenses | | (196) | (252) |
| Total expenses | | <u>(6,023)</u> | <u>(6,481)</u> |
| Profit/(loss) before income tax expense | | 71,063 | (26,791) |
| Income tax (expense)/benefit | 3(a) | <u>(21,136)</u> | <u>8,027</u> |
| Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Platinum Capital Limited | 10 | 49,927 | (18,764) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income/(loss) for the year attributable to the owners of Platinum Capital Limited | | <u><u>49,927</u></u> | <u><u>(18,764)</u></u> |
| Basic earnings per share (cents per share) | 9 | 20.03 | (8.00) |
| Diluted earnings per share (cents per share) | 9 | 20.03 | (8.00) |

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 30 June 2017



| | Note | 2017 \$'000 | 2016 \$'000 |
|--|------|----------------|----------------|
| Assets | | | |
| Cash and cash equivalents | 13 | 51,110 | 45,070 |
| Receivables | 6 | 3,250 | 1,096 |
| Financial assets at fair value through profit or loss | 4 | 415,952 | 301,012 |
| Income tax receivable | 3(b) | 1,210 | 3,873 |
| Total assets | | <u>471,522</u> | <u>351,051</u> |
| Liabilities | | | |
| Payables | 7 | 4,504 | 3,325 |
| Financial liabilities at fair value through profit or loss | 5 | 1,164 | 3,161 |
| Deferred tax liability | 3(c) | 20,278 | 2,350 |
| Total liabilities | | <u>25,946</u> | <u>8,836</u> |
| Net assets | | <u>445,576</u> | <u>342,215</u> |
| Equity | | | |
| Issued capital | 8 | 376,895 | 304,595 |
| Retained earnings | 10 | (18,764) | (18,764) |
| Dividend profit reserve | 11 | 87,445 | 56,384 |
| Total equity | | <u>445,576</u> | <u>342,215</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 year ended 30 June 2017



| | Issued capital \$'000 | Retained earnings \$'000 | Dividend profit reserve \$'000 | Total equity \$'000 |
|--|--------------------------------------|---|---|------------------------------------|
| Balance at 1 July 2015 | 301,154 | 77,421 | - | 378,575 |
| Transfer to dividend profit reserve (Note 10 and Note 11) | - | (77,421) | 77,421 | - |
| Profit/(loss) after income tax expense for the year | - | (18,764) | - | (18,764) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | <u>-</u> | <u>(18,764)</u> | <u>-</u> | <u>(18,764)</u> |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Issue of shares in relation to the dividend reinvestment plan and unclaimed dividends (Note 8) | 3,441 | - | - | 3,441 |
| Dividends paid (Note 12) | - | - | (21,037) | (21,037) |
| Balance at 30 June 2016 | <u>304,595</u> | <u>(18,764)</u> | <u>56,384</u> | <u>342,215</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 year | - | 49,927 | - | 49,927 |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | <u>-</u> | <u>49,927</u> | <u>-</u> | <u>49,927</u> |
| Transfer of profit after income tax for the year, to the dividend profit reserve (Note 10 and Note 11) | - | (49,927) | 49,927 | - |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Issue of shares in relation to the dividend reinvestment plan and unclaimed dividends (Note 8) | 2,942 | - | - | 2,942 |
| Issue of shares in relation to the Placement (Note 8) | 53,514 | - | - | 53,514 |
| Issue of shares in relation to the Share Purchase Plan (Note 8) | 16,603 | - | - | 16,603 |
| Transaction costs, on the Placement and Share Purchase Plan, net of tax (Note 8) | (759) | - | - | (759) |
| Dividends paid (Note 12) | - | - | (18,866) | (18,866) |
| Balance at 30 June 2017 | <u>376,895</u> | <u>(18,764)</u> | <u>87,445</u> | <u>445,576</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 year ended 30 June 2017



| | Note | 2017 \$'000 | 2016 \$'000 |
|--|-------------|------------------------------|------------------------------|
| Cash flows from operating activities | | | |
| Payments for purchase of financial assets | | (242,911) | (182,628) |
| Proceeds from sale of financial assets | | 194,005 | 213,650 |
| Dividends received | | 8,344 | 11,391 |
| Interest received | | 243 | 101 |
| Management fees paid | | (4,139) | (5,030) |
| Other expenses paid | | (1,835) | (1,610) |
| Income tax received/(paid) | | 435 | (11,462) |
| | | <hr/> | <hr/> |
| Net cash from operating activities | 13(b) | (45,858) | 24,412 |
| Cash flows from financing activities | | | |
| Dividends paid - net of dividend re-investment plan | | (15,972) | (17,703) |
| Net proceeds from issue of shares in relation to the Placement and Share Purchase Plan | 8 | 69,358 | - |
| Proceeds from issue of shares in relation to unclaimed dividends | 8 | 48 | 86 |
| | | <hr/> | <hr/> |
| Net cash from/(used in) financing activities | | 53,434 | (17,617) |
| Net increase in cash and cash equivalents | | 7,576 | 6,795 |
| Cash and cash equivalents at the beginning of the financial year | | 45,070 | 37,076 |
| Effects of exchange rate changes on cash and cash equivalents | | (1,536) | 1,199 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the financial year | 13(a) | 51,110 | 45,070 |

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on the basis of fair-value measurement of assets and liabilities.

The Statement of Financial Position is presented on a liquidity basis. Specifically, assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current assets and liabilities. The majority of receivables and payables are expected to be recovered or settled within 12 months, whereas tax and investment balances may be recovered after 12 months.

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, that management believes to be reasonable under the circumstances.

Fair value measurement hierarchy (refer to Note 17)

The Company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: 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 or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 (if any) is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Recovery of deferred tax assets (refer to Note 3)

Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Financial assets/liabilities at fair value through profit or loss

Under AASB 139: *Financial Instruments: Recognition and Measurement*, investments are classified in the Company's Statement of Financial Position as "financial assets/liabilities at fair value through profit or loss". Derivatives and foreign currency forward contracts are classified as financial instruments "held for trading" and equity securities are designated at fair value through profit or loss upon initial recognition.

The Company has applied AASB 13: *Fair Value Measurement*. AASB 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". AASB 13 increases transparency about fair value measurements, including the valuations techniques and inputs used to measure fair value.

The standard prescribes that the most representative price within the bid-ask spread should be used for valuation purposes. With respect to the Company, the last-sale or "last" price is the most representative price within the bid-ask spread, because it represents the price that the security last changed hands from seller to buyer.

Generally, derivatives take the form of long and short equity swap contracts. Equity swaps are valued based on the price of the underlying investment, which may be a specific share or a share market index. Daily fluctuations in the value of derivatives were recognised as part of "net gains/(losses) on equities/derivatives" in the Statement of Profit or Loss and other Comprehensive Income.

Note 1. Significant accounting policies (continued)

Long equity swap contracts allow the Company to gain exposure to price movements of underlying investments without buying the underlying investment. Under the term of each long equity swap contract, the Company makes a profit if the underlying share price was higher on the date that the contract was closed relative to the price when the contract commenced.

With respect to short equity swap contracts, the Company makes a profit if the underlying share price was lower on the date that the contract was closed relative to the price when the contract commenced.

Participatory Notes are sometimes used as a convenient means of investing in local securities by a foreign investor. Participatory Notes are generally traded over-the-counter, as they are issued by a counterparty to provide the investor with exposure to an individual equity or a basket or index of equities, in markets where liquidity, custody or other issues make ownership of the local shares sub-optimal. The valuation of Participatory Notes depends on the level of trading. If the Participatory Notes are actively traded, then the market price is used. Counterparties provide a daily valuation that is based on the intrinsic value of the individual security.

AASB 13 also requires reporting entities to disclose its valuation techniques and inputs. This is described below.

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets uses quoted market prices at reporting date without any deduction for estimated future selling costs. Financial assets are valued using "last-sale" pricing. Gains and losses arising from changes in the fair value of the financial assets/liabilities are included in the Statement of Profit or Loss and other Comprehensive Income in the period they arise.

Foreign currency forward contracts are initially recognised at fair value on the date contracts are entered into and are subsequently remeasured at each reporting date. The fair value is the unrealised profit or loss on the foreign currency position (in Australian dollars).

Fair value in an inactive market or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques or any other valuation techniques that provides a reliable estimate of prices obtained in actual market transactions. Options are valued with reference to the quoted price of the underlying index or share. If there is no liquid market available, the options are valued based on the option prices provided by an arm's length broker. These valuations are based on option pricing models.

Recognition/derecognition

The Company recognises financial assets and liabilities on the date they become party to the purchase contractual agreement (trade date) and recognises changes in fair value of the financial assets and liabilities from this date. Financial assets and liabilities are no longer recognised on the date they become party to the sale contractual agreement (trade date).

Offsetting a financial asset and a financial liability

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where there is a legally enforceable right to offset recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Transaction costs on financial assets

Initial measurement (cost) on purchase of trading securities shall not include directly attributable transaction costs, such as fees and commissions paid to agents. Incremental transaction costs on purchases of financial assets at fair value through profit or loss are expensed immediately.

Operating segments

Operating segments are presented using a single operating segment. However AASB 8: *Operating Segments* requires certain entity-wide disclosures. Refer to Note 2 for further information.

Foreign currency transactions

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the country that the Company is regulated, capital is raised and dividends are paid. The Australian dollar is also the Company's presentation currency.

Note 1. Significant accounting policies (continued)

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Investment income

Interest income

Interest income is recognised in the Statement of Profit or Loss and other Comprehensive Income based on nominated interest rates available on the bank accounts held at various locations.

Dividend income

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

Directors' entitlements

Liabilities for Directors' entitlements to fees are accrued at nominal amounts calculated on the basis of current fee rates. Contributions to Directors' superannuation plans are charged as an expense as the contributions are paid or become payable.

Income tax

The income tax expense or benefit for the period is the tax payable or receivable on that period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. Withholding tax expense on foreign dividends has been included as part of income tax expense.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Receivables

All receivables are recognised when a right to receive payment is established. Debts that are known to be uncollectible are written off.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, cash held in margin accounts and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Margin accounts comprise cash held as collateral for derivative transactions.

Payments and receipts relating to the purchase and sale of investment securities are classified as "cash flows from operating activities" as realised and unrealised gains (and losses) on financial assets and liabilities represent the Company's main operating activity.

Due from/due to brokers for unsettled trades

Amounts due from/due to brokers represent receivables for proceeds from sale of financial assets (as disclosed in Note 6) and payables on purchase of financial assets/liabilities (as disclosed in Note 7) that have been traded, but not yet settled at reporting date. Proceeds from sale of financial assets are usually received between two and five days after trade date. Payables on purchase of financial assets/liabilities are usually paid between two and five days after trade date.

Note 1. Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

A provision is booked in the accounts if the Directors declare or determine to pay a dividend on or before balance date that has not been paid at balance date.

Dividend profit reserve

To the extent that any current year or prior period 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.

Expenses

All expenses, including management fee and performance fee (if any), are recognised in the statement of comprehensive income on an accruals basis.

Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to the owners of Platinum Capital Limited, by the weighted average number of ordinary shares outstanding during the financial year.

Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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 these financial statements have been rounded off in accordance with this Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Accounting Standards and Interpretations not yet mandatory or early adopted

The following Australian Accounting Standards and Interpretations have been issued or amended but are not yet mandatory, and have not been early adopted by the Company for the year ended 30 June 2017. The Company's assessment of the impact of these Accounting Standards and Interpretations, most relevant to the Company, are set out below and on the following page.

AASB 15: Revenue from contracts with customers and amendments to AASB 15

The main objective of this new standard is to provide a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The Company's main source of income is gains on equities and derivatives, foreign currency forward contracts and overseas bank accounts, as well as interest and dividend income. All of these income types are outside the scope of the standard. The standard is applicable for reporting periods beginning on or after 1 January 2018.

The standard was assessed as not having a material impact on the Company in current or future reporting periods.

Note 1. Significant accounting policies (continued)

Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 2016-1: Amendments: Recognition of deferred tax assets for unrealised losses.

This amends the *AASB 12 Income taxes* to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. This amendment is applicable for reporting periods beginning on or after 1 January 2017.

The standard was assessed as having no impact on the Company in the current or future reporting period, as the Company does not carry a material level of debt instruments.

AASB 9: Financial Instruments (and applicable amendments)

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It includes revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018.

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 carried at fair value through profit or loss.

There are no other standards 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. Operating segments

Identification of reportable operating segments

The Company is organised into one main operating segment with the key function of the investment of funds internationally. AASB 8: *Operating Segments* requires disclosure of revenue by investment type and geographical location, which is outlined below:

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|-----------------|
| a) Investment income by investment type | | |
| Equity securities | 84,838 | (22,998) |
| Derivatives | (6,502) | 3,271 |
| Foreign currency forward contracts | 53 | (1,923) |
| Bank accounts | (1,303) | 1,340 |
| Total | <u>77,086</u> | <u>(20,310)</u> |
| | | |
| | 2017 \$'000 | 2016 \$'000 |
| b) Investment income by geographical area | | |
| Japan | 10,618 | (6,276) |
| Asia ex Japan | 39,921 | (4,955) |
| Australia | (364) | 1,158 |
| Europe - Euro | 18,336 | (7,880) |
| Europe - Other | 36 | (5,700) |
| North America | 5,962 | 7,133 |
| South America | 4 | 44 |
| Africa | 2,520 | (1,911) |
| Unallocated investment income - Net gains/(losses) on foreign currency forward contracts | 53 | (1,923) |
| Total | <u>77,086</u> | <u>(20,310)</u> |

Note 3. Income tax

2017 **2016**
\$'000 **\$'000**

(a) Income tax (expense)/benefit

The income tax (expense)/benefit attributable to the operating profit/(loss) comprises:

| | | |
|---|-----------------|--------------|
| Current income tax provision | (2,249) | (7,854) |
| Movement in deferred tax liability | (17,928) | 16,605 |
| Withholding tax on foreign dividends | (657) | (724) |
| Placement and Share Purchase Plan offer costs transferred to equity | (325) | - |
| Over provision of prior period tax | 23 | - |
| | <u>(21,136)</u> | <u>8,027</u> |

The aggregate amount of income tax attributable to the financial year differs from the prima facie (amount payable)/benefit received on the profit/(loss).

| | | |
|---|-----------------|--------------|
| Profit/(loss) before income tax (expense)/benefit | 71,063 | (26,791) |
| Prima facie income tax at tax rate of 30% | (21,319) | 8,037 |
| (Increase)/reduce tax payable: | | |
| Foreign tax credits | 129 | (10) |
| Placement and Share Purchase Plan offer fees expensed | 31 | - |
| Over provision of prior period tax | 23 | - |
| | <u>(21,136)</u> | <u>8,027</u> |

(b) Income tax receivable

The income tax receivable as disclosed in the Statement of Financial Position is comprised of:

| | | |
|---|---------------|---------------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Current income tax provision | (2,249) | (7,854) |
| Income tax instalments paid during the year | <u>3,459</u> | <u>11,727</u> |
| Income tax receivable | <u>1,210</u> | <u>3,873</u> |

(c) Deferred tax liability

In line with our existing accounting policy, the Company has exercised judgement in determining the extent of recognition of deferred tax balances.

The deferred tax liability figure in the Statement of Financial Position is comprised of:

| | | |
|---|-----------------|----------------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Dividends receivable | (470) | (178) |
| Unrealised gains on financial assets | (22,054) | (4,145) |
| Audit fees | 6 | 13 |
| Taxation services | 5 | 6 |
| Shareholder communication and reporting | 55 | 51 |
| Differences in cost base for tax compared to accounting | 1,821 | 1,755 |
| Capital raising and legal costs (deductible over 5 years) | 359 | 148 |
| Deferred tax liability | <u>(20,278)</u> | <u>(2,350)</u> |

Note 3. Income tax (continued)

The net deferred tax liability is comprised of \$2,246,000 (2016: \$1,973,000) of deferred tax asset and \$22,524,000 (2016: \$4,323,000) of deferred tax liability.

The Company has accumulated net unrealised gains on investments of \$73,513,000 (2016: \$13,815,000). The tax impact on these unrealised gains of \$22,054,000 (2016: \$4,145,000) formed a major part of the overall net deferred tax liability.

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

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

| | 2017 \$'000 | 2016 \$'000 |
|------------------------------------|----------------|----------------|
| Equities securities | 412,839 | 299,159 |
| Corporate bonds | 292 | 278 |
| Derivatives | 370 | 166 |
| Foreign currency forward contracts | 2,451 | 1,409 |
| | <u>415,952</u> | <u>301,012</u> |

The Portfolio has increased in size as a result of strong investment performance and also because the Company received additional net proceeds of \$69,358,000 as a result of the Placement and Share Purchase Plan completed during the year. At 30 June 2017, all of these proceeds have been invested.

Note 5. Financial liabilities at fair value through profit or loss

| | 2017 \$'000 | 2016 \$'000 |
|------------------------------------|----------------|----------------|
| Derivatives | 6 | 634 |
| Foreign currency forward contracts | 1,158 | 2,527 |
| | <u>1,164</u> | <u>3,161</u> |

Note 6. Receivables

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Proceeds from sale of financial assets | 1,574 | 413 |
| Capital Gains Tax receivable | 49 | 30 |
| Dividends receivable | 1,532 | 594 |
| Interest receivable | 53 | 20 |
| Goods and Services Tax receivable | 42 | 39 |
| | <u>3,250</u> | <u>1,096</u> |

Proceeds from sale of financial assets are usually received between two and five days after trade date. Dividends are usually received within approximately 30 days of the ex-dividend date. Information relating to the ageing of receivables is shown in Note 16.

Note 7. Payables

| | 2017 | 2016 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Payables on purchase of financial assets | 3,770 | 2,642 |
| Trade creditors (unsecured) | 689 | 639 |
| Unclaimed dividends payable to shareholders | 42 | 42 |
| PAYG Tax payable | 3 | 2 |
| | <u>4,504</u> | <u>3,325</u> |

Payables on purchase of financial assets are usually paid between two and five days after trade date. Trade creditors are payable between seven and 30 days after being incurred. These current payables are non-interest bearing. Information relating to the Company's exposure of payables to liquidity risk is shown in Note 16.

Note 8. Issued capital

| | 2017 | 2016 | 2017 | 2016 |
|------------------------------|--------------------|--------------------|----------------|----------------|
| | Shares | Shares | \$'000 | \$'000 |
| Ordinary shares - fully paid | <u>283,753,289</u> | <u>235,332,383</u> | <u>376,895</u> | <u>304,595</u> |

Movements in ordinary share capital

| Details | Date | Shares | \$'000 |
|---|-------------------|--------------------|----------------|
| 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 |
| Dividend reinvestment plan | 4 March 2016 | 733,819 | 1,130 |
| Reinvestment of unclaimed dividends | 15 March 2016 | <u>27,347</u> | <u>44</u> |
| Balance | 30 June 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 |
| Shares issued under the Placement * | 13 March 2017 | 35,440,000 | 53,514 |
| Shares issued under the Share Purchase Plan (SPP) ** | 21 April 2017 | 11,038,308 | 16,603 |
| less transaction costs, net of tax in relation to the Placement and SPP (see breakdown on the following page) | | | (759) |
| Dividend reinvestment plan | 13 March 2017 | 924,100 | 1,423 |
| Reinvestment of unclaimed dividends | 20 March 2017 | <u>19,713</u> | <u>30</u> |
| Balance | 30 June 2017 | <u>283,753,289</u> | <u>376,895</u> |

*On 13 March 2017, the Company completed the Placement of 35,440,000 fully-paid ordinary shares to sophisticated and professional investors at \$1.51 per share and raised gross proceeds of \$53,514,400.

**On 21 April 2017, the Company completed its Share Purchase Plan and allotted 11,038,308 fully-paid ordinary shares at \$1.5041 per share and raised gross proceeds of \$16,602,719.

The net proceeds from the completed Placement and Share Purchase Plan were \$69,358,000 (gross proceeds of \$70,117,000 less transaction costs (net of tax) of \$759,000).

Note 8. Issued capital (continued)

Transaction costs in relation to the Placement and Share Purchase Plan (SPP), net of tax.

The Company incurred fees and charges associated with the Placement and SPP during the year. A breakdown of these fees and charges that have been deducted against equity are as follows:

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Lead Manager Placement fees | 903 | - |
| Registry charges | 112 | - |
| Share Purchase Plan broker handling fees | 45 | - |
| Other fees* | 24 | - |
| Sub-total | 1,084 | - |
| Less current and future period tax deductions | (325) | - |
| Total transaction costs | 759 | - |

*Other fees include legal fees, postage charges and non-recoverable GST.

Non-capitalised expenses.

In addition to the above, ASX listing fees of \$81,000 and non-recoverable GST of \$24,000 (\$105,000 in total) relating to the Placement and SPP have been expensed in the profit and loss and shown as "Non-capitalised expenses in relation to the Placement and Share Purchase Plan".

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 a 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 9. Earnings per share

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Profit/(loss) after income tax attributable to the owners of Platinum Capital Limited | 49,927 | (18,764) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic and diluted earnings per share | 249,240,654 | 234,572,543 |
| | Cents | Cents |
| Basic earnings per share | 20.03 | (8.00) |
| Diluted earnings per share | 20.03 | (8.00) |

Note 9. Earnings per share (continued)

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 Placement, Share Purchase Plan, Dividend Reinvestment Plan and, reinvestment of unclaimed dividends, therefore diluted earnings per share equals basic earnings per share.

Note 10. Retained earnings

| | 2017 \$'000 | 2016 \$'000 |
|---|-----------------|-----------------|
| Opening balance | (18,764) | 77,421 |
| Profit/(loss) after income tax benefit/(expense) for the year | 49,927 | (18,764) |
| Transfer to dividend profit reserve (see Note 11)* | (49,927) | (77,421) |
| Closing balance | <u>(18,764)</u> | <u>(18,764)</u> |

*The Directors passed a resolution that transferred to the dividend profit reserve the 31 December 2016 interim profit after tax and the additional profit after tax made for the period from 1 January 2017 to 30 June 2017.

Note 11. 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.

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Opening balance | 56,384 | - |
| Transfer of operating profit after tax from retained earnings* | 49,927 | 77,421 |
| Dividends paid (see Note 12) | (18,866) | (21,037) |
| Closing balance | <u>87,445</u> | <u>56,384</u> |

*Dividends are no longer paid out of retained earnings and are now paid out of the dividend profit reserve. The Directors passed a resolution that transferred to the dividend profit reserve the 31 December 2016 interim profit after tax and the additional profit after tax made for the period 1 January 2017 to 30 June 2017. Subsequent to 30 June 2017, the 2017 final fully-franked dividend was declared out of this reserve. The balance in the dividend profit reserve after the declaration of the 2017 final dividend is \$70,420,000 (24.82 cents per share, based on the current shares on issue).

Note 12. Dividends

Dividends paid

Dividends paid during the financial year were as follows:

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Final dividend for the year ended 30 June 2016 (2016: 30 June 2015) of 4 cents (2016: 6 cents) per ordinary share | 9,413 | 14,000 |
| Interim dividend for the year ended 31 December 2016 (2016: 31 December 2015) of 4 cents (2016: 3 cents) per ordinary share | 9,453 | 7,037 |
| | <u>18,866</u> | <u>21,037</u> |

Note 12. Dividends (continued)

Dividends not recognised at year-end

In addition to the above dividends paid, on 17 August 2017, the Directors declared the payment of the 2017 final fully-franked dividend of 6 cents per fully paid ordinary share. The aggregate amount of the dividend expected to be paid on 11 September 2017, but not recognised as a liability at year-end, is \$17,025,000. The dividend will be paid out of the dividend profit reserve.

Franking credits

| | 2017 | 2016 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Franking credits available at the balance date based on a tax rate of 30% | 9,531 | 18,052 |
| Franking credit/(debits) that will arise from the tax payable/(receivable) at balance date based on a tax rate of 30% | (1,210) | (3,873) |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 8,321 | 14,179 |
| Franking debits that will arise from the payment of dividends declared subsequent to the balance date based on a tax rate of 30% | (7,297) | (4,034) |
| Net franking credits available based on a tax rate of 30% | <u>1,024</u> | <u>10,145</u> |

Note 13. Notes to the statement of cash flows

| | 2017 | 2016 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| (a) Components of cash and cash equivalents | | |
| Cash at bank* | 51 | 46 |
| Cash on deposit held within the portfolio** | 51,059 | 45,024 |
| | <u>51,110</u> | <u>45,070</u> |

* Cash at bank includes \$41,000 (2016: \$37,000) held in respect of unclaimed dividends on behalf of shareholders.

** Cash on deposit includes \$8,800,000 (2016: \$9,804,000) on deposit to 'cash cover' derivative contracts' deposits and margin calls.

These amounts are held by the relevant derivative exchanges and counterparties as security. If losses are realised, the cash balances are set off against those losses. If profits are realised on the close out of derivative contracts, the money is returned to the Company.

The Company maintains bank accounts at various locations throughout the world to enable the settlement of purchases and sales of investments and to conduct other normal banking transactions.

All accounts are at call and the majority bear floating interest rates in the range of -1.50% to 1.40% (2016: -0.60% to 1.90%)

Note 13. Notes to the statement of cash flows (continued)

(b) Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

| | 2017 | 2016 |
|---|-----------------|---------------|
| | \$'000 | \$'000 |
| Profit/(loss) after income tax expense for the year | 49,927 | (18,764) |
| Adjustments for non-operating and non-cash items: | | |
| Foreign exchange differences | 1,536 | (1,199) |
| Decrease/(Increase) in investment securities and foreign currency forward contracts | (116,937) | 62,597 |
| Change in operating assets and liabilities: | | |
| (Increase) in deferred tax asset | (273) | (965) |
| (Increase) in settlements receivable | (1,161) | (394) |
| Increase in settlement payable | 1,128 | 2,642 |
| (Increase) in interest receivable | (33) | (13) |
| (Increase) in dividends receivable | (938) | (86) |
| Decrease/(increase) in Capital Gains Tax receivable | (19) | 1 |
| (Decrease)/increase in trade and other payables | 51 | (177) |
| (Decrease)/increase in deferred tax liability | 18,201 | (15,640) |
| Decrease/(increase) in Goods and Services Tax receivable | (3) | 18 |
| Decrease/(increase) in income tax receivable | 2,663 | (3,608) |
| Net cash from/(used in) operating activities | <u>(45,858)</u> | <u>24,412</u> |

Non-cash financing activities

During the year, 1,942,598 (2016: 2,006,391) shares were issued under the Dividend Reinvestment Plan (DRP) and re-investment of unclaimed dividends. Dividends settled in shares rather than cash during the year totalled \$2,942,000 (2016: \$3,441,000).

Note 14. Statement of Net Tangible Asset Backing (NTA)

| | 2017 | 2016 |
|--|----------------|----------------|
| | \$'000 | \$'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 | 445,576 | 342,215 |
| Realisation costs* and accruals | (1,063) | (768) |
| Deferred income tax asset on realisation costs | 392 | 225 |
| Net Tangible Asset Backing - (post-tax) | <u>444,905</u> | <u>341,672</u> |

The post-tax Net Tangible Asset Backing per share at 30 June 2017 was \$1.5679 per share (30 June 2016: \$1.4519).

*Financial assets and liabilities were valued at "last-sale" price for both ASX and financial accounts reporting. The difference between the 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 15. Investment Portfolio

All Investments below are ordinary shares, unless stated otherwise.

| | Quantity | 2017 Fair Value \$'000 |
|--|------------|------------------------------|
| Japan | | |
| Alpine Electronics | 57,099 | 1,111 |
| Asahi | 94,755 | 4,636 |
| Descente | 117,000 | 2,058 |
| Ebara | 97,699 | 3,516 |
| Inpex | 753,391 | 9,424 |
| Itochu | 263,711 | 5,093 |
| JSR | 102,383 | 2,295 |
| Lixil | 361,363 | 11,745 |
| Murata Manufacturing | 5,700 | 1,126 |
| Nexon | 264,277 | 6,789 |
| Nintendo | 11,410 | 4,975 |
| Rakuten | 524,585 | 8,024 |
| Sumitomo Metal Mining | 247,867 | 4,303 |
| Toyota Industries | 84,833 | 5,801 |
| Ushio | 107,548 | 1,757 |
| Total Japan | | 72,653 |
| Asia ex Japan | | |
| <i>China</i> | | |
| 58.com - American Depository Receipt | 101,211 | 5,806 |
| Alibaba - American Depository Receipt | 21,500 | 3,940 |
| Anta Sports | 1,567,152 | 6,738 |
| Baidu.com - American Depository Receipt | 34,896 | 8,117 |
| China Pacific Insurance | 1,378,047 | 7,326 |
| EcoGreen International | 17,302,140 | 4,556 |
| Jiangsu Yanghe Brewery - Participatory Notes | 308,676 | 5,177 |
| Jiangsu Yanghe Brewery - long equity swap | 50,400 | (6) |
| PICC Property & Casualty - H Shares | 3,523,229 | 7,656 |
| Ping An A Share - Participatory Notes | 603,962 | 5,747 |
| Ping An Insurance - H Shares | 347,578 | 2,980 |
| Sina Corp | 75,867 | 8,384 |
| Tencent | 238,022 | 11,075 |
| Weibo Corp - American Depository Receipt | 6,886 | 595 |
| Weichai Power | 673,127 | 767 |
| Weichai Power - Participatory Notes | 671,000 | 1,702 |
| Weichai Power - long equity swap | 320,420 | 89 |
| Weifu High Technology - B Shares | 171,789 | 529 |
| | | 81,178 |
| <i>Hong Kong</i> | | |
| ENN Energy | 764,654 | 6,002 |
| Summit Ascent | 3,597,233 | 1,031 |
| | | 7,033 |

Note 15: Investment Portfolio (continued)

| | Quantity | 2017 Fair Value \$'000 |
|--|-----------|------------------------------|
| Asia ex Japan (continued) | | |
| <i>India</i> | | |
| Adani Ports and Special Economic Zone | 294,362 | 2,152 |
| Axis Bank | 280,295 | 2,920 |
| ICICI Bank | 638,746 | 3,732 |
| IDFC | 155,573 | 173 |
| IDFC Bank | 2,209,431 | 2,434 |
| NTPC | 1,416,341 | 4,534 |
| NTPC - corporate bond | 271,178 | 292 |
| PTC India | 896,528 | 1,743 |
| Reliance Industries | 169,951 | 4,723 |
| | | 22,703 |
| <i>Thailand</i> | | |
| Kasikornbank – Non-Voting Depository Receipt | 323,432 | 2,461 |
| Kasikornbank - Foreign | 177,014 | 1,354 |
| | | 3,815 |
| <i>Taiwan</i> | | |
| Taiwan Semiconductor Manufacturing | 130,000 | 1,158 |
| | | 1,158 |
| <i>South Korea</i> | | |
| Hyundai Motor | 39,164 | 7,101 |
| KB Financial | 123,140 | 8,077 |
| LG Chem | 18,734 | 6,197 |
| Samsung Electronics | 6,552 | 16,580 |
| Samsung SDI | 2,600 | 507 |
| | | 38,462 |
| <i>Malaysia</i> | | |
| Genting Bhd | 1,666,949 | 4,752 |
| | | 4,752 |
| <i>Vietnam</i> | | |
| Vietnam Enterprise | 537,600 | 3,471 |
| Vietnam Dairy Products | 860,793 | 7,762 |
| | | 11,233 |
| Total Asia ex Japan | | 170,334 |
| Australia | | |
| Vantage Goldfields | 1,000,000 | - |
| Total Australia | | - |
| Europe - Euro | | |
| <i>France</i> | | |
| Casino Guichard Perrachon | 52,337 | 4,035 |
| Kering | 23,290 | 10,324 |
| Sanofi | 68,779 | 8,564 |
| | | 22,923 |

Note 15: Investment Portfolio (continued)

| | Quantity | 2017 Fair Value \$'000 |
|--|-----------|------------------------------|
| Europe - Euro (continued) | | |
| <i>Germany</i> | | |
| Hornbach Baumarkt | 69,109 | 3,246 |
| Hornbach | 8,721 | 976 |
| K+S | 167,850 | 5,595 |
| Qiagen - American Depository Receipt | 76,199 | 3,323 |
| Qiagen | 119,476 | 5,173 |
| Rheinmetall | 4,447 | 549 |
| | | 18,862 |
| <i>Italy</i> | | |
| Eni | 164,816 | 3,224 |
| Intesa Sanpaolo | 2,107,615 | 8,697 |
| Mediobanca | 341,401 | 4,385 |
| | | 16,306 |
| Total Europe - Euro | | 58,091 |
| Europe - Other | | |
| <i>Norway</i> | | |
| Schibsted - A share | 90,619 | 2,847 |
| Schibsted - B share | 85,575 | 2,460 |
| | | 5,307 |
| <i>Denmark</i> | | |
| Pandora | 17,900 | 2,174 |
| | | 2,174 |
| <i>Sweden</i> | | |
| Ericsson | 161,143 | 1,499 |
| | | 1,499 |
| <i>Switzerland</i> | | |
| Roche | 12,600 | 4,182 |
| | | 4,182 |
| <i>Russia</i> | | |
| MMC Nor Nickel - American Depository Receipt | 154,362 | 2,770 |
| | | 2,770 |
| <i>United Kingdom</i> | | |
| AstraZeneca | 98,441 | 8,567 |
| Gemfields | 2,375,780 | 1,293 |
| Royal Dutch Shell | 221,306 | 7,641 |
| TechnipFMC | 48,800 | 1,723 |
| | | 19,224 |
| Total Europe - Other | | 35,156 |

| Note 15: Investment Portfolio (continued) | Quantity | 2017 Fair Value \$'000 |
|---|-----------|------------------------------|
| North America | | |
| <i>Canada</i> | | |
| Constellation Software | 1,355 | 922 |
| Great Basin Gold | 192,636 | - |
| | | 922 |
| <i>United States</i> | | |
| Alphabet (Google) | 11,866 | 14,123 |
| Coca Cola | 56,493 | 3,295 |
| Conagra Brands - short equity swap | (19,300) | 41 |
| Gilead Sciences | 78,500 | 7,226 |
| Intel | 93,832 | 4,118 |
| Johnson & Johnson | 13,000 | 2,237 |
| Jones Lang LaSalle | 21,840 | 3,551 |
| Kellogg - short equity swap | (10,300) | 5 |
| Nielsen | 63,743 | 3,205 |
| Oracle | 162,800 | 10,616 |
| Paypal | 62,068 | 4,332 |
| Russell Mini Sept 2017 – index future | (51) | 27 |
| S&P Sept 2017– index futures | (261) | 67 |
| Schlumberger | 14,650 | 1,254 |
| Skyworks Solutions | 17,820 | 2,224 |
| Smurfit Stone ESCROW | 225,000 | - |
| TechnipFMC - US | 216,524 | 7,660 |
| Tesla Motors- short equity swap | (1,204) | 33 |
| WalMart - short equity swap | (41,217) | 108 |
| Wynn Resorts | 34,680 | 6,049 |
| | | 70,171 |
| Total North America | | 71,093 |
| South America | | |
| <i>Brazil</i> | | |
| Cielo S.A. | 188,517 | 1,823 |
| | | 1,823 |
| <i>Peru</i> | | |
| Peru Holding De Turismo | 1,667,523 | - |
| | | - |
| Total South America | | 1,823 |
| Africa | | |
| <i>Zimbabwe</i> | | |
| Axia Corp | 1,391,123 | 176 |
| Econet Wireless Holdings | 3,033,910 | 1,421 |
| Innscor Africa | 1,545,692 | 1,447 |
| Masimba Holdings | 6,879,563 | 465 |
| Simbisa Brands | 1,391,123 | 362 |
| | | 3,871 |

Note 15. Investment Portfolio (continued)

| | Quantity | 2017 Fair Value \$'000 |
|---|------------|------------------------------|
| Africa (continued) | | |
| <i>Nigeria</i> | | |
| Union Bank of Nigeria | 19,198,940 | 474 |
| | | 474 |
| Total Africa | | 4,345 |
| Total equities, corporate bonds and derivatives (Note 4 and Note 5)* | | 413,495 |

*From Note 4 (financial assets), the total of equity securities was \$412,839,000, the total of corporate bonds was \$292,000 and the total of derivatives was \$370,000 less from Note 5 (financial liabilities), the total of derivatives of \$6,000. This results in a total of \$413,495,000.

| | |
|---|----------------|
| <i>Add</i> | |
| Receivable from the proceeds from sale of financial assets (Note 6) | 1,574 |
| Payables on purchase of financial assets (Note 7) | (3,770) |
| Dividends receivable (Note 6) | 1,532 |
| Cash on deposit held within the portfolio (Note 13) | 51,059 |
| Foreign currency forward contracts (Note 4 and Note 5) | 1,293 |
| Total Investment Portfolio (reconciles to Note 16: Foreign exchange risk on page 38) | 465,183 |

The total number of securities transactions entered into during the reporting period, together with total brokerage paid during the reporting period was:

Number of transactions - 1,577

Total brokerage paid - \$1,052,000 (\$449,000 on purchases and \$603,000 on sales)

Note 16. Financial risk management

Financial risk management objectives

The Company's primary risks are related to the investment activities undertaken on its behalf by Platinum Investment Management Limited. The risks that the Company is exposed to include: market risk (including currency and price risk), credit risk and liquidity risk.

The Investment Manager, Platinum Investment Management Limited's investment style:

- (i) adopts a bottom-up stock selection methodology, through which long-term capital growth is sought by investing in undervalued securities across the world;
- (ii) seeks absolute returns and not returns relative to any index;
- (iii) invests excess funds in cash when undervalued stocks cannot be found; and
- (iv) actively manages currency.

Derivatives (which include equity swaps, futures and options) are utilised for risk management purposes and to take opportunities to increase returns.

The underlying value of derivatives held by the Company may not exceed 100% of the portfolio value. The underlying value of long stocks and derivative contracts may not exceed 150% of the portfolio value. Where options are employed, the underlying value will be the delta-adjusted exposure. Compliance with these limits is reviewed by the Board and the Audit, Risk and Compliance Committee on a regular basis.

The table below summarises the Company's investments at fair value and derivative exposure.

| 2017 | Physical | Long | Short | Net |
|----------------|----------------|------------------------------------|------------------------------------|--------------------|
| | \$'000 | Derivatives Contracts \$'000 | Derivatives Contracts \$'000 | Exposure \$'000 |
| Japan | 72,653 | - | - | 72,653 |
| Asia ex Japan* | 170,251 | 1,650 | - | 171,901 |
| Europe - Euro | 58,091 | - | - | 58,091 |
| Europe - Other | 35,156 | - | - | 35,156 |
| North America | 70,812 | - | (52,232) | 18,580 |
| South America | 1,823 | - | - | 1,823 |
| Africa | 4,345 | - | - | 4,345 |
| | 413,131 | 1,650 | (52,232) | 362,549 |

| 2016 | Physical | Long | Short | Net |
|----------------|----------------|------------------------------------|------------------------------------|--------------------|
| | \$'000 | Derivatives Contracts \$'000 | Derivatives Contracts \$'000 | Exposure \$'000 |
| Japan | 37,403 | - | - | 37,403 |
| Asia ex Japan | 102,770 | 7,806 | - | 110,576 |
| Australia | 2,602 | - | - | 2,602 |
| Europe - Euro | 47,569 | - | - | 47,569 |
| Europe - Other | 34,003 | - | (1,158) | 32,845 |
| North America | 72,913 | - | (56,743) | 16,170 |
| South America | 42 | - | - | 42 |
| Africa | 2,135 | - | - | 2,135 |
| | 299,437 | 7,806 | (57,901) | 249,342 |

Note 16. Financial risk management (continued)

The "Physical" column represents the location of the Company's investments. The Investments shown on the previous page in the "Physical" column (totalling \$413,131,000 for 2017) reconcile to the fair value of equity securities and corporate bonds disclosed in Note 4, being \$412,839,000 for equity securities and \$292,000 for corporate bonds.

*The three largest contributors to the "Asia ex Japan" category at 30 June 2017 were as follows:

| | Physical Exposure \$'000 | Net Exposure \$'000 |
|--|--------------------------------|---------------------------|
| Chinese investments (including Chinese investments listed on the Hong Kong stock exchange) | 81,095 | 82,745 |
| Korea | 38,462 | 38,462 |
| India | 22,703 | 22,703 |

The "Long/Short Derivative Contracts" columns include the notional value of long/short equity swaps and futures. The "Net Exposure" column represents an approximation of the Investment Portfolio's exposure to movements in markets. This is calculated by making an adjustment to the "Physical" position, by adding any long (bought) derivative positions in shares or share index futures and subtracting the principal notional amount of any short (sold) positions. For example, if 5% of the Portfolio was invested in Japan, but there was a 2% short position in Nikkei futures, then the net exposure column would show 3%. Conceivably, the figure could show a negative exposure, which would indicate that the Portfolio was net short the Japanese market.

Market risk

Foreign Exchange risk

Foreign exchange risk is the risk the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from buying, selling and holding investments denominated in foreign currency. Platinum Investment Management Limited selects stocks based on value regardless of geographic location. The Company undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Currency hedging is an integral part of the management of currency risk. Platinum Investment Management Limited may position the Company's Portfolio in what it believes will be a stronger currency(ies). The Company decreased its Australian Dollar, US Dollar and Hong Kong Dollar exposures compared to a year ago (the Australian Dollar exposure decreased from 17% at 30 June 2016 to 2% at 30 June 2017 and US Dollar and Hong Kong Dollar exposures reduced from 55% at 30 June 2016 to 47% at 30 June 2017) and increased its exposure to the Japanese Yen (increased from 0.3% at 30 June 2016 to 8% at 30 June 2017) and Korean Won (increased from 2% at 30 June 2016 to 6% at 30 June 2017). The Company is fully hedged out of the Chinese Yuan.

The Company is hedged back 47% into US Dollars (including Hong Kong Dollars), with 27% in European currencies including Norwegian Krone and Swiss Francs.

Platinum Investment Management Limited may use foreign currency forward contracts, and futures and option contracts on foreign currency forward contracts to position the Portfolio in the desired currencies. A currency exposure may be hedged into a different currency from that which the physical exposure is maintained (for example, US Dollar hedges may be used to hedge the currency risk of holding investments in the Japanese Yen).

Where there have been major currency movements or where currencies are perceived to be over or undervalued, Platinum Investment Management Limited may look for investments whose operating environment has been distorted by the lower currency as part of the search for undervalued stocks. There may be even opportunities to invest in stocks impacted by a lower currency (for example, export-oriented stocks).

The table on the following page summarises the Company's investment exposure at fair value to foreign exchange risk. The total "Physical" and "Net Exposure" reconciles to the total investment portfolio in Note 15.

Note 16. Financial risk management (continued)

| 2017 | Physical \$'000 | Bought \$'000 | Sold \$'000 | Net Exposure \$'000 |
|----------------|--------------------|------------------|------------------|---------------------------|
| Japan | 73,904 | 4,529 | (39,838) | 38,595 |
| Asia ex Japan* | 141,099 | - | (29,994) | 111,105 |
| Australia | 7,902 | 14,852 | (12,500) | 10,254 |
| Europe - Euro | 68,196 | 19,454 | (7,667) | 79,983 |
| Europe - Other | 24,735 | 26,464 | - | 51,199 |
| North America | 147,040 | 63,291 | (38,591) | 171,740 |
| South America | 1,833 | - | - | 1,833 |
| Africa | 474 | - | - | 474 |
| | <u>465,183</u> | <u>128,590</u> | <u>(128,590)</u> | <u>465,183</u> |

| 2016 | Physical \$'000 | Bought \$'000 | Sold \$'000 | Net Exposure \$'000 |
|----------------|--------------------|------------------|------------------|---------------------------|
| Japan | 37,921 | - | (36,987) | 934 |
| Asia ex Japan | 92,303 | - | (61,504) | 30,799 |
| Australia | 14,711 | 42,060 | - | 56,771 |
| Europe - Euro | 44,863 | 24,737 | (16,571) | 53,029 |
| Europe - Other | 25,683 | 14,657 | - | 40,340 |
| North America | 124,919 | 96,436 | (62,828) | 158,527 |
| South America | 372 | - | - | 372 |
| Africa | 468 | - | - | 468 |
| | <u>341,240</u> | <u>177,889</u> | <u>(177,889)</u> | <u>341,240</u> |

*The largest contributors to the "Asia ex Japan" category at 30 June 2017 were as follows:

| | Net Exposure \$'000 | Currency Exposure % |
|------------------------|---------------------------|---------------------------|
| Hong Kong Dollar | 48,844 | 10.5 |
| Korean Won | 28,841 | 6.2 |
| Indian Rupee | 22,794 | 4.9 |
| Chinese Yuan | (6,047) | (1.3) |
| Other Asian currencies | 16,673 | 3.6 |
| | <u>111,105</u> | <u>23.9</u> |

Foreign currency forward contracts are adjusted against the "Physical" column to arrive at a "Net Exposure" for each currency grouping. The Company generally utilises short dated (90 day maturity) currency agreements with high-credit rated counterparties. The existing foreign currency forward contract positions' maturity date is 82 days from the balance sheet date.

Foreign exchange risk sensitivity analysis

The table on the following page summarises the sensitivities of the Company's profit to foreign exchange risk. The analysis is based on the assumption that the Australian Dollar strengthened by 10% against the United States Dollar and Euro (shown in the +10% column) and weakened by 10% against the United States Dollar and Euro (shown in the -10% column). These two currencies are the material foreign currencies to which the Company was exposed at 30 June 2017.

A sensitivity of 10% has been selected as this is considered reasonably possible given current exchange rates and the volatility observed both on a historic basis and after factoring in possible future movements. The sensitivity has been undertaken on a combined basis for both monetary assets and liabilities and financial assets and liabilities measured at fair value through profit and loss, as the Company believes this accurately portrays the Company's exposure to foreign exchange risk.

Note 16. Financial risk management (continued)

| | AUD strengthened | | AUD weakened | |
|----------------------|------------------|-----------------|--------------|---------------|
| | Increase | Effect on | Decrease | Effect on |
| | % change | profit before | % change | profit before |
| | | tax | | tax |
| | | (\$'000) | | (\$'000) |
| 2017 | | | | |
| United States Dollar | 10% | (15,150) | (10%) | 18,517 |
| Euro | 10% | (6,969) | (10%) | 8,518 |
| Other | 10% | (21,980) | (10%) | 26,865 |
| | | <u>(44,099)</u> | | <u>53,900</u> |
| | | | | |
| | Increase | Effect on | Decrease | Effect on |
| | % change | profit | % change | profit before |
| | | before tax | | tax |
| | | (\$'000) | | (\$'000) |
| 2016 | | | | |
| United States Dollar | 10% | (14,181) | (10%) | 17,332 |
| Euro | 10% | (4,821) | (10%) | 5,892 |
| Other | 10% | (6,584) | (10%) | 8,047 |
| | | <u>(25,586)</u> | | <u>31,271</u> |

The sensitivity analysis shows that the Company is materially affected by exchange rate movements (other things being equal), given the global nature of the investments held.

Interest Rate Risk

Interest rate risk is the possibility the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Company's financial assets and liabilities are non-interest bearing as the Company has a policy of not borrowing, other than for settlement of trades. Cash holdings are directly affected by interest rate movements, but at balance date, interest rates on these cash accounts are very low (and range from -1.50% to 1.40%).

Interest rate risk indirectly affects the Company as interest rate movements will affect forward points used in determining gains or losses on forward contracts.

The impact of interest rate movements on our investments is not capable of precise estimation. At 30 June 2017 and 2016, if interest rates had changed by +/- 100 basis points with all other variables held constant, the direct impact on interest income would not be significant for the Company.

Price risk

Market prices fluctuate due to a range of factors specific to the individual investments, or factors affecting the market in general. Platinum Investment Management Limited's stock selection process is core to the management of price risk. Platinum adopts a thematic stock selection approach and is referred to as being an "active manager". Platinum Investment Management Limited seeks a broad range of investments whose businesses and growth prospects, it believes, are being undervalued by the market. Accordingly, holdings in the Company may vary considerably from the make-up of a general index. Investment Managers such as Platinum Investment Management Limited seek to outperform the market as represented by an appropriate index.

As an additional risk management tool, the Company may enter into short equity swaps and futures to protect against market movements. At 30 June 2017, the Company maintained short positions against market indices or company-specific stocks. The use of index derivatives allows the Company to invest in specific companies, whilst providing some degree of protection against more general adverse market price movements. At 30 June 2017, the Company has a blend of both index and stock specific positions. The index short positions relate to the US and our belief that the technology sector is extended. The stock specific positions primarily relate to companies that sell consumer-packaged goods and the Investment Manager's view about their ability to adapt to an e-commerce enabled world.

Note 16. Financial risk management (continued)

Price risk sensitivity analysis

Price risk exposure arises from the Company's investment portfolio, which comprises investments in securities and derivatives. At 30 June 2017, the two markets that the Company had the biggest investment exposure to are China (including Chinese investments listed on the foreign stock exchanges) and Japan. The effect on profit due to a possible change in market prices, as represented by a +/-10% movement in these markets with all other variables held constant, is illustrated in the table below:

| | Increase % change | Effect on profit before tax (\$'000) | Decrease % change | Effect on profit before tax (\$'000) |
|--|----------------------|---|----------------------|---|
| 2017 | | | | |
| China (including Chinese investments listed on the Hong Kong stock exchange) | 10% | 8,110 | (10%) | (8,110) |
| Japan | 10% | 7,265 | (10%) | (7,265) |
| Other | 10% | 25,337 | (10%) | (25,337) |
| | | <u>40,712</u> | | <u>(40,712)</u> |
| | | | | |
| | Increase % change | Effect on profit before tax (\$'000) | Decrease % change | Effect on profit before tax (\$'000) |
| 2016 | | | | |
| Chinese investments (including Chinese investments listed on the Hong Kong stock exchange) | 10% | 5,652 | (10%) | (5,652) |
| Japan | 10% | 3,740 | (10%) | (3,740) |
| Other | 10% | 19,844 | (10%) | (19,844) |
| | | <u>29,236</u> | | <u>(29,236)</u> |

A sensitivity of 10% has been selected, as this is considered reasonably possible. The markets specified are a reference point only. Actual movements in stocks held in the portfolio may vary significantly to movements in the respective markets.

Credit risk

Credit risk relates to the risk of a counterparty defaulting on a financial obligation resulting in a loss to the Company (typically "non-equity" financial instruments or cash/deposit holdings). The exposure to credit risk for cash and cash equivalent, futures, equity swaps, and foreign currency forward contracts is any unrealised profit, margins and collateral paid on the positions (the money the Company would lose if the counterparty defaulted) at reporting date. The table below shows the Company's counterparty credit risk exposure by credit rating:

| | 2017 \$'000 | 2016 \$'000 |
|----------------|----------------|----------------|
| Ratings | | |
| A | 41,220 | 35,220 |
| A- | 10,973 | 11,264 |
| BBB+ | 12,310 | 7,916 |
| BBB | 436 | 430 |
| Total | <u>64,939</u> | <u>54,830</u> |

Note 16. Financial risk management (continued)

Credit risk (continued)

Platinum Investment Management Limited regularly monitors the Company's credit risk exposure to counterparties and seeks to manage the risk by spreading exposure over a number of counterparties by signing standard ISDA (International Swaps and Derivatives Association) master agreements and net settlement contracts, employing two-way symmetrical margining of unrealised profits and losses and by controlling the duration of contracts to be short-term. Transactions in listed securities and investments are entered into with approved brokers. Payment is only made once a broker has received securities and delivery of securities sold only occurs once the broker receives payment.

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| The Company's ageing analysis of receivables at 30 June 2017 is as follows: | | |
| 0-30 days | 2,006 | 707 |
| 31-60 days | 1,180 | 353 |
| 61-90 days | - | - |
| 90+ days | 1,274 | 3,909 |
| Total* | <u>4,460</u> | <u>4,969</u> |

*The total amount of \$4,460,000 (2016: \$4,969,000) reconciles to the balances shown in Note 6 of \$3,250,000 (2016: \$1,096,000) and Note 3(b) of \$1,210,000 (2016: \$3,873,000). Amounts receivable more than 90 days include \$1,210,000 (2016: \$3,873,000) of income tax receivable for tax instalments paid and this amount will not be refunded until the tax return is lodged and processed later this year.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities. This includes the risk that the Company will:

- (i) not have sufficient funds to settle a transaction on the due date; and
- (ii) be forced to sell financial assets at a value which is less than they are worth.

Remaining contractual maturities

The following table details the Company's remaining contractual maturity for its financial and non-financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial and non-financial liabilities based on the earliest date on which the financial and non-financial liabilities are required to be paid.

| 2017 | Within 3 months \$'000 | Between 3 and 12 months \$'000 | Total \$'000 |
|--|------------------------------|---|-----------------|
| Non-financial | | | |
| Payable on purchase of financial assets, trade creditors, dividend payable and PAYG tax payable (Note 7) | 4,445 | 59 | 4,504 |
| Total non-financial | <u>4,445</u> | <u>59</u> | <u>4,504</u> |
| Financial | | | |
| Derivative contractual outflows (Note 5) | 6 | - | 6 |
| Foreign currency forward contractual outflows (Note 5) | 1,158 | - | 1,158 |
| Total financial | <u>1,164</u> | <u>-</u> | <u>1,164</u> |

Note 16. Financial risk management (continued)

| 2016 | Within 3 months \$'000 | Between 3 and 12 months \$'000 | Total \$'000 |
|--|------------------------------|---|-----------------|
| Non-financial | | | |
| Payable on purchase of financial assets, trade creditors, dividend payable and PAYG tax payable (Note 7) | 3,325 | - | 3,325 |
| Total non-financial | <u>3,325</u> | <u>-</u> | <u>3,325</u> |
| Financial | | | |
| Derivative contractual outflows (Note 5) | 634 | - | 634 |
| Foreign currency forward contractual outflows (Note 5) | 2,269 | 258 | 2,527 |
| Total financial | <u>2,903</u> | <u>258</u> | <u>3,161</u> |

At 30 June 2017, there are no other contractual amounts payable after six months.

The Company has sufficient funds to meet these liabilities as the value of total net assets realisable in one year or less is \$470,309,000 (2016: \$347,860,000). Assets that are realisable in one year or less include equities, derivatives, cash and cash equivalents.

Except for equity swaps and futures, the maximum capital risk resulting from financial instruments is determined by the fair value of financial instruments. Potential losses from equity swaps and futures are limited to available capital.

The risk management guidelines adopted are designed to minimise liquidity risk through:

- (i) ensuring that there is no significant exposure to illiquid or thinly traded financial instruments; and
- (ii) applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

Platinum Investment Management Limited prepares daily cash forecasts for the Company and maintains sufficient cash to meet normal operating requirements. The Company has a policy of not borrowing money, other than on a short term basis for settlement, trading and like purposes.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Capital risk management

The Company considers its capital to comprise ordinary share capital and accumulated retained profits.

The Company's key objectives are to deliver attractive returns to shareholders over time, made up of capital growth and fully-franked dividends and contain capital losses by mitigating the impact of market downturns.

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

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

The Company is an ASX-listed investment company and is subject to various ASX Listing Rules requirements. For example, the Company must report its Net Tangible Asset Backing per share (NTA) to the ASX on a monthly basis. The Company complies with all externally-imposed capital requirements.

Note 17. 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:

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.

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 |
|------------------------------------|-------------------|-------------------|-----------------|
| 2017 | | | |
| <i>Assets</i> | | | |
| Equity securities | 400,213 | 12,626 | 412,839 |
| Corporate bonds | - | 292 | 292 |
| Derivatives | 94 | 276 | 370 |
| Foreign currency forward contracts | - | 2,451 | 2,451 |
| Total assets | 400,307 | 15,645 | 415,952 |
| <i>Liabilities</i> | | | |
| Derivatives | - | 6 | 6 |
| Foreign currency forward contracts | - | 1,158 | 1,158 |
| Total liabilities | - | 1,164 | 1,164 |
| 2016 | | | |
| <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 figures presented above can be reconciled to Note 4 or Note 5 and the Statement of Financial Position.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. During the year, one Vietnamese security with a market value of \$3.5m (at 30 June 2017) was transferred from level 2 to level 1, as the security is now trading on an active market (London Stock Exchange).

Note 17. Fair value measurement (continued)

Rationale for classification of assets and liabilities as level 1

At 30 June 2017, 96% 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 were 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 18. Offsetting of financial assets and financial liabilities

Offsetting and master netting agreements

The Company enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other, if

- I. there is a legally enforceable right to set-off the financial asset and financial liability; and
- II. the Company intends to settle the financial asset and financial liability on a net basis, or realise the financial asset and settle the financial liability simultaneously.

The gross and net positions of financial asset and liabilities that have been offset in the Statement of Financial Position are disclosed in the first three columns of the following table:

| | Amounts offset in the Statement of Financial Position | | | Related amounts not set-off in the Statement of Financial Position | | |
|------------------------------------|---|--|--|--|-----------------|------------|
| | Gross amounts | Gross amounts set-off in the Statement of Financial Position | Net amounts in the Statement of Financial Position | Financial Instruments ¹ | Cash collateral | Net Amount |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | | | |
| 2017 | | | | | | |
| Derivatives | 370 | - | 370 | (6) | - | 364 |
| Foreign currency forward contracts | 2,924 | (473) | 2,451 | (849) | - | 1,602 |
| 2016 | | | | | | |
| Derivatives | 166 | - | 166 | (157) | - | 9 |
| Foreign currency forward contracts | 1,871 | (462) | 1,409 | (1,368) | - | 41 |
| Financial liabilities | | | | | | |
| 2017 | | | | | | |
| Derivatives | 6 | - | 6 | (6) | - | - |
| Foreign currency forward contracts | 1,631 | (473) | 1,158 | (849) | (309) | - |
| 2016 | | | | | | |
| Derivatives | 634 | - | 634 | (157) | (94) | 383 |
| Foreign currency forward contracts | 2,989 | (462) | 2,527 | (1,368) | (390) | 769 |

1. shows the impact of arrangements between the Company and the relevant counterparty on financial instruments that provide a right to set-off that becomes enforceable and affects settlement of individual financial assets and liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business. These arrangements are not set-off in the Statement of Financial Position, as they are not currently enforceable.

Note 19. Investment Manager

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

The Agreement also provides a performance fee at 15%, at 30 June, of the amount which the portfolio's annual performance exceeds the return achieved by the Morgan Stanley Capital International All Country World Net Index (MSCI). Where the portfolio's annual return is less than the MSCI, the amount of the underperformance is aggregated, carried forward and deducted from the annual performance in the subsequent year before calculating any performance fee for that year. The aggregate of underperformance is carried forward until a performance fee becomes payable.

The 12 months pre-tax performance of the portfolio up to 30 June 2017, was 20.27% and the corresponding MSCI return was 15.31%. This represents an outperformance of 4.96% against the MSCI. However, once the prior period aggregate underperformance of 15.21% is also included, a performance fee has not been accrued. The total aggregate underperformance of 10.25% will need to be made up before a performance fee will be paid.

| Total fees paid and payable for the year ended 30 June 2017 are shown below: | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Management fees | <u>4,253</u> | <u>4,845</u> |

The management fees are lower in 2017 relative to 2016, because the higher management fee rate of 1.5% per annum applied for the first 6 months of the comparative period.

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.

A summary of the salient provisions of the Investment Management Agreement ("Agreement") is contained below:

(a) The terms of the Agreement require Platinum Investment Management Limited to:

- (i) invest and manage the Portfolio in accordance with the Agreement;
- (ii) confer with the Board of the Company at regular intervals in respect of the investment and management of the Portfolio;
- (iii) exercise all due diligence and vigilance in carrying out its functions, powers and duties under the Agreement; and
- (iv) promptly notify the Board of any instructions given to it by the Company which have not been complied with.

(b) Each party is to provide three months' notice to terminate the Agreement. The Company may immediately terminate the Agreement where Platinum Investment Management Limited:

- (i) becomes subject to a receiver, receiver and manager, administrative receiver or similar person;
- (ii) goes into liquidation;
- (iii) ceases to carry on business in relation to its activities as an Investment Manager;
- (iv) breaches a material provision of the Agreement, or fails to observe or perform any representation, warranty or undertaking given by Platinum Investment Management Limited under the Agreement; or
- (v) sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of Platinum Investment Management Limited or beneficial interest therein, other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by the Company.

The Agreement was entered into to (a) codify changes made to the ASX Listing Rules and (b) codify the range of services provided by Platinum Investment Management Limited to the Company.

Note 20. Remuneration of auditors

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

| | 2017 \$ | 2016 \$ |
|--|---------------|----------------|
| <i>Audit services relating to the financial statements</i> | | |
| Audit and review of the financial statements | 83,000 | 105,000 |
| <i>Other services</i> | | |
| Taxation services | 4,402 | 37,301 |
| Analytical and assurance services – agreed upon procedures for the new performance fee structure calculation* and fee modelling* | - | 19,800 |
| | <u>87,402</u> | <u>162,101</u> |

*PricewaterhouseCoopers were engaged by Directors, during the 2016 financial year, to conduct fee modelling analysis in relation to the management and performance fees payable, when comparing the old fee structure (effective up to 31 December 2015) to the proposed new fee structure (effective on and from 1 January 2016), and to undertake agreed upon procedures to assist the Directors in their review of the performance fee carried forward underperformance amount.

Note 21. Key management personnel disclosures

Key Management Personnel

Details of remuneration paid to the Non-Executive Directors are outlined in the Statement of Profit or Loss and other Comprehensive Income and in the Remuneration Report and in aggregate terms was \$186,150 (2016: \$186,150).

Interests of Directors in shares

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 | 9,972 | - | 249,972 |
| Richard Morath | 32,400 | 9,972 | - | 42,372 |
| Jim Clegg | 20,000 | 39,972 | - | 59,972 |

Note 22. Related party transactions

Management Fees

Disclosures relating to management fees paid and payable to the related party, Platinum Investment Management Limited are set out in Note 19.

Administration fees

Under the Administrative Services Agreement, Platinum Investment Management Limited provides various administrative services to the Company. These include accountancy, secretarial, performance analytics, taxation, compliance and risk monitoring services.

The services provided extend to liaison with the share registry to ensure that accurate share records are maintained and services are provided to shareholders in a timely and efficient manner.

In consideration for providing these services, Platinum Investment Management Limited received a payment of \$1 from the Company.

Key management personnel

Disclosures relating to key management personnel are set out in Note 21 and the Remuneration Report.

Note 22. Related party transactions (continued)

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 23. Contingent Assets, Liabilities and Commitments to Capital Expenditure

No contingent assets or liabilities exist at 30 June 2017 and 30 June 2016. The Company has no commitments for uncalled share capital on investments.

Note 24. Events after the reporting period

Apart from the dividend declared as disclosed in Note 12, no other matter or circumstance has arisen since 30 June 2017 that has 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.

Note 25. The Company

The Company, Platinum Capital Limited, is a company limited by shares, incorporated and domiciled in New South Wales. Its current 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 is included in the Directors' Report.

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the financial 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.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Bruce Coleman
Chairman

Richard Morath
Director

17 August 2017
Sydney



Independent auditor's report

To the members of Platinum Capital Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Platinum Capital Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2017
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the Directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Company, its accounting processes and controls and the industry in which it operates.

Platinum Capital Limited is a listed investment company on the ASX. The Company primarily makes investments in international equities.



| <i>Materiality</i> | <i>Audit scope</i> | <i>Key audit matters</i> |
|---|--|---|
| <ul style="list-style-type: none"> • For the purpose of our audit we used overall materiality of \$2.2m, which represents approximately 0.50% of net assets of the Company • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose net assets as the benchmark because, in our view, it is the most significant area of interest to the investors in the Company and is a generally accepted benchmark for listed investment companies. • We selected 0.50% based on our professional judgement, noting | <ul style="list-style-type: none"> • Our audit focused on where the Company made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • Our audit approach reflects the nature of the investments held by the Company and the consideration of the work undertaken by third party service providers. The key service providers relevant to our audit are Platinum Investment Management Limited (Investment Manager and Administrator), who manages the Company's investments and maintains the accounting records of the Company and State Street | <ul style="list-style-type: none"> • Amongst other relevant topics, we communicated the following key audit matter to the Audit, Risk and Compliance Committee: <ul style="list-style-type: none"> – Investments in financial assets and financial liabilities • This is further described in the <i>Key audit matters</i> section of our report. |



that it is within the range of commonly acceptable net asset related thresholds.

Australia Limited (the Custodian), who provides custodian services for the investments.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p><i>Investments in financial assets and financial liabilities</i></p> <p><i>Refer to note 1 (Summary of significant accounting policies) and note 4 and 5 (financial assets and liabilities)</i></p> <p>At 30 June 2017, the investments in financial assets and financial liabilities of approximately \$415,952k and \$1,164k, respectively, comprised of investments in active markets and investments in inactive or unquoted markets.</p> <p>The valuation and existence of the financial assets and liabilities was a key audit matter because:</p> <ul style="list-style-type: none">• investments in financial assets and financial liabilities represent the principal element of the Statement of Financial Position accounting for approximately 93% of net assets• some investments are traded in inactive or unquoted markets, meaning the Company needs to make judgements to estimate their fair value as outlined in note 17 to the financial statements. Changes to the estimates, assumptions and or/judgements can result in a material change to the valuation. | <p>We assessed the independent auditor's reports over the Custodian's controls over the valuation and existence of investments. We assessed the reports by considering the other auditor's independence, competency and results of procedures. The assurance reports were unqualified although some individual controls were found to not be operating effectively. We assessed the nature and number of exceptions and evaluated whether there were compensating controls in the reports.</p> <p>We also performed the following procedures, amongst others:</p> <p><i>Valuation procedures:</i></p> <p><u>Investments in active markets</u></p> <ul style="list-style-type: none">• We obtained price data from third party price vendors and compared it to the prices used by the Company to value the investments. <p><u>Participatory notes (approximately 3% of net assets)</u></p> <ul style="list-style-type: none">• For all participatory notes held, we obtained price data from a third party price vendor for the underlying equity security of the participatory note in local currency. We translated the price into AUD and compared it to the participatory note price used to value the investments by the Company. |



Key audit matter

How our audit addressed the key audit matter

Equity swap contracts (less than 1% of net assets)

- Given the fair value of equity swap contracts represents less than 1% of net assets, for a sample of one equity swap contract, we obtained price input data from a third party price vendor and calculated the market value with reference to the relevant term sheet. We compared our calculated valuation to the valuation used to value the investment by the Company.

The aggregate difference between our valuation testing and the Company's valuation of investments was not material.

Existence procedures:

- For investments held in custody at the Custodian, we obtained an independent confirmation from the custodian of the investment holdings. We also tested the period end reconciliation of holdings per the custodian and holdings per the accounting records. We tested a sample of the largest reconciling items by obtaining adequate supporting evidence to explain the differences.
- For investments not held in custody at the third party Custodian, we independently confirmed the investment position with the counterparty and compared the confirmed balance to the accounting records.

The aggregate balance of all differences identified in our existence procedures was not material.

Other information

The directors are responsible for the other information. The other information included in the Company's annual report for the year ended 30 June 2017 comprises the Shareholder Information, Investment Structure, Objectives and Approach and Directors' Report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. The other information also includes the Chairman's Report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 11 to 12 of the directors' report for the year ended 30 June 2017.



In our opinion, the remuneration report of Platinum Capital Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Joe Sheeran
Partner

Sydney
17 August 2017