Platinum Capital Limited

ABN 51 063 975 431

Interim Financial Report
For the half-year ended 31 December 2019

Platinum Capital Limited
Corporate Directory

Directors	Margaret Towers 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	Elizabeth Norman
Registered office	Level 8, 7 Macquarie Place Sydney NSW 2000 Phone 1300 726 700 (Australia only) Phone 0800 700 726 (New Zealand only) Phone +61 2 9255 7500 Fax +61 2 9254 5555
Share registrar	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Phone +61 1300 554 474 Fax +61 2 9287 0303
Auditor and taxation advisor	PricewaterhouseCoopers
Securities exchange listing	Platinum Capital Limited shares are listed on the Australian Securities Exchange (ASX code: **PMC**)
Website	www.platinum.com.au/Our-Products/All-Products/Platinum-Capital-Limited

Platinum Capital Limited
Directors' report
31 December 2019

The Directors present their report, together with the interim financial statements of Platinum Capital Limited (the "Company") for the half-year ended 31 December 2019.

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

Margaret Towers	Chairperson and Independent Non-Executive Director
Richard Morath	Independent Non-Executive Director
Jim Clegg	Independent Non-Executive Director

Principal activities
The Company is a listed investment company established to provide capital growth over the long-term through 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
For the half-year ended 31 December 2019, the Company's net profit before tax was $30,734,000 (31 December 2018: net loss before tax of $41,571,000). The net profit after tax was $21,545,000 (31 December 2018: net loss after tax of $29,077,000). The Directors have declared a fully-franked dividend of 3 cents per share which represents an annualised dividend yield of 3.5% based on the 31 December 2019 share price. After the payment of this dividend, the Company retains approximately 3.44 cents per share in franked dividend capacity, to assist with the payment of future fully-franked dividends.

For the 6 months to 31 December 2019, the Company delivered a return of 7.17%[1] (measured by its pre-tax NTA) versus a return of 8.74% for the benchmark the Morgan Stanley Capital International All Country World Net Index (MSCI) in A$ terms[2]. The increase in profit, pre-tax NTA and absolute returns were a result of strong performance, especially in the December quarter, with respect to a number of the Company's key investment themes.

The Directors consider that pre-tax net tangible asset backing per share ("NTA"), after the deduction of fees and expenses, adjusted for corporate taxes paid, and any capital flows and assuming the reinvestment of dividends ("pre-tax NTA"), is a better measure of performance of the Company than the reported profits. This is because the pre-tax NTA per share is the most accurate way to assess the investment performance of the Company's investment portfolio. For the 6 months to 31 December 2019, the Company's pre-tax NTA per share increased from $1.57 to $1.62. This is after the payment of 4 cents per share in dividends and the equivalent of 1 cent per share in taxes paid during the half-year. Total Shareholder Return (TSR) for the half-year, based on share price appreciation and dividends paid (between 1 July 2019 and 31 December 2019), was 12.1%.

For the five years to 31 December 2019, the Company delivered an annualised compound return of 8.63% per annum, measured by the Company's pre-tax NTA, versus the MSCI return of 11.75%. The five year absolute return remained in excess of 8% per annum compound and has been achieved with a fair degree of built in protection along the way. The Company's long-term (since inception) return of 12.02% per annum was approximately 63% greater than the MSCI return of 7.38% over the last 25 and a half years.

[1] Source: Platinum Investment Management Limited (PMC returns) and FactSet Research Systems (MSCI returns). Returns have not been calculated using the Company's share price. **Past performance is not a reliable indicator of future performance**.

[2] MSCI Inc Disclaimer: Neither MSCI Inc nor any other party involved in or related to compiling, computing or creating the Index data (contained in this Financial Report) makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI Inc, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the Index data is permitted without the express written consent of MSCI Inc.

Platinum Capital Limited
Directors' report
31 December 2019

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 rolling five-year periods, commencing each month since inception, the Company has achieved positive returns far more frequently than the MSCI and with many more periods exceeding a compound return of 8% per annum. Moreover, the Company has recorded considerably fewer negative return periods and much smaller losses when negative returns did occur, compared to the MSCI.

With regards to outlook, the Investment Manager reports that "…*after such a strong year in the markets, an element of caution is warranted in the short term. Having said that, we remain comfortable with our portfolio positioning. Current valuations continue to remain attractive in comparison with market averages, and our quantitative and qualitative assessments lead us to believe that our portfolio is more profitable and faster growing than the global universe of stocks that we cover*."

Since 31 December 2019, the Investment Manager has commented with respect to the coronavirus that "*Currently, it is hard to estimate the likely duration, scale and impact of the coronavirus and we continue to monitor this issue.*"

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

Dividends
For the 6 months to 31 December 2019, PMC's earnings per share was 7.45 cents per share. However, in accordance with its policy of dividend smoothing the Directors declared an interim 2020 fully-franked dividend of 3 cents per share ($8,688,000), with a record date of 2 March 2020, payable to shareholders on 19 March 2020, out of the dividend profit reserve. After the payment of the interim 2020 dividend, the Company retains approximately 3.44 cents per share in franked dividend capacity, to assist with the payment of future fully-franked dividends.

For the comparative interim reporting period, the interim fully-franked dividend was 3 cents per share ($8,615,000). The dividend reinvestment plan (DRP) is in operation and a 2.5 per cent discount to the relevant share price applies.

Capital Management
The Company did not engage in any capital raising activities during the 2020 half-year period to date. The Board has in place a flexible capital management policy, which will allow the Board to act as necessary to select the most efficient manner by which the Company manages its capital, in response to changing market conditions and risks, with the sole aim of enhancing shareholder value. This includes the management of dividends paid, the use of placements, rights issues and/or share-buy backs.

Currently, LICs are out of favour with the market. Consequently, we note that the Company's share price has periodically traded at a small discount to its pre-tax NTA backing per share. We will continue to monitor this.

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 5.

Platinum Capital Limited
Directors' report
31 December 2019

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

On behalf of the Directors

Margaret Towers	Richard Morath
Chairperson	Director

20 February 2020

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Auditor's Independence Declaration

As lead auditor for the review of Platinum Capital Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

CJ Cummins
Partner
PricewaterhouseCoopers

Sydney
20 February 2020

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General information

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

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

Level 8, 7 Macquarie Place
Sydney NSW 2000

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

The interim financial report was authorised for issue, in accordance with a resolution of Directors, on 20 February 2020.

Platinum Capital Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	Half-year ended 31 Dec 19 $'000	31 Dec 18 $'000
Investment Income			
Dividends		2,898	2,833
Interest		91	125
Net gains/(losses) on equities/derivatives		30,049	(43,496)
Net gains/(losses) on foreign currency forward contracts		521	(272)
Net foreign exchange gains on overseas bank accounts		485	2,666
Total investment income/(loss)		34,044	(38,144)
Expenses			
Management fees	12	(2,552)	(2,594)
Custody		(164)	(107)
Share registry		(65)	(64)
Continuous reporting disclosure		(124)	(112)
Directors' fees	13	(93)	(93)
Auditor's remuneration and taxation services	14	(57)	(72)
Brokerage and transaction costs		(148)	(304)
Other expenses		(107)	(81)
Total expenses		(3,310)	(3,427)
Profit/(loss) before income tax (expense)/benefit		**30,734**	**(41,571)**
Income tax (expense)/benefit		(9,189)	12,494
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Platinum Capital Limited		**21,545**	**(29,077)**
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income/(loss) for the half-year attributable to the owners of Platinum Capital Limited		**21,545**	**(29,077)**
Basic earnings per share (cents per share)	9	7.45	(10.14)
Diluted earnings per share (cents per share)	9	7.45	(10.14)

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

Platinum Capital Limited
Statement of financial position
As at 31 December 2019

	Note	As at 31 Dec 19 $'000	30 Jun 19 $'000
Assets			
Cash and cash equivalents	15	41,222	65,143
Trade and other receivables		133	2,684
Financial assets at fair value through profit or loss	3	432,585	390,347
Income tax receivable	2(a)	584	-
Total assets		474,524	458,174
Liabilities			
Cash due to brokers	15	245	87
Trade and other payables		700	1,696
Financial liabilities at fair value through profit or loss	4	3,777	2,732
Deferred tax liability	2(b)	17,269	10,449
Income tax payable	2(a)	-	2,161
Total liabilities		21,991	17,125
Net assets		**452,533**	**441,049**
Equity			
Issued capital	8	386,684	385,202
Retained earnings	5	(19,137)	(19,137)
Dividend profit reserve	6	84,986	74,984
Total equity		**452,533**	**441,049**

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

Platinum Capital Limited
Statement of changes in equity
For the half-year ended 31 December 2019

	Issued capital $'000	Retained earnings $'000	Dividend profit reserve $'000	Total equity $'000
Balance at 1 July 2019	385,202	(19,137)	74,984	441,049
Profit after income tax expense for the half-year	-	21,545	-	21,545
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	21,545	-	21,545
Transfer of profit after income tax expense for the half-year, to the dividend profit reserve (Note 6)	-	(21,545)	21,545	-
Proceeds from the issue of shares in relation to the dividend reinvestment plan and reinvestment of unclaimed dividends (Note 8)	1,482	-	-	1,482
Dividends paid (Note 7)	-	-	(11,543)	(11,543)
Balance at 31 December 2019	**386,684**	**(19,137)**	**84,986**	**452,533**

	Issued capital $'000	Retained earnings $'000	Dividend profit reserve $'000	Total equity $'000
Balance at 1 July 2018	380,682	(18,764)	109,369	471,287
(Loss) after income tax expense for the half-year	-	(29,077)	-	(29,077)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(29,077)	-	(29,077)
Transactions with owners in their capacity as owners:				
Proceeds from the issue of shares in relation to the dividend reinvestment plan and reinvestment of unclaimed dividends (Note 8)	2,245	-	-	2,245
Dividends paid (Note 7)	-	-	(17,155)	(17,155)
Balance at 31 December 2018	382,927	(47,841)	92,214	427,300

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

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Platinum Capital Limited
Statement of cash flows
For the half year ended 31 December 2019

	Note	Half-year ended 31 Dec 19 $'000	31 Dec 18 $'000
Cash flows from operating activities			
Payments for purchase of financial assets		(96,685)	(135,446)
Proceeds from sale of financial assets		86,486	170,996
Dividends received		3,549	3,759
Interest received		127	152
Management fees paid		(2,537)	(2,652)
Other expenses paid		(670)	(799)
Income tax paid		(4,881)	(12,226)
Net cash (used in)/from operating activities		(14,611)	23,784
Cash flows from financing activities			
Dividends paid - net of dividend re-investment plan	7	(10,169)	(14,956)
Proceeds from issue of shares in relation to unclaimed dividends	8	51	54
Net cash (used in)/from financing activities		(10,118)	(14,902)
Net (decrease)/increase in cash and cash equivalents		(24,729)	8,882
Cash and cash equivalents at the beginning of the half-year		65,056	51,254
Effects of exchange rate changes on cash and cash equivalents		650	2,765
Cash and cash equivalents at the end of the half-year	15	40,977	62,901

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

Note 1. Basis of preparation of the interim financial report

These financial statements for the interim reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001,* as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

These financial statements for the half-year ended 31 December 2019 do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated. Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

New Accounting Standards and Interpretations adopted for the 31 December 2019 reporting period

The following accounting standards, interpretations or amendments to existing standards are effective for the first time for the half-year ended 31 December 2019:

AASB 16: Leases (effective from 1 January 2019)
AASB 16 affects primarily the accounting by lessees and the results in the recognition of almost all leases on balance sheet. Management has assessed that adoption of this standard has not had any impact on the accounting policies or amounts recognised in the financial statements, as the Company does not hold any leases.

IFRIC 23: Uncertainty over Income Tax Treatments (effective from 1 January 2019)
The IFRS Interpretations Committee (IFRS IC) issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12: *Income taxes* are applied where there is uncertainty over income tax treatments. IFRIC 23 requires entities to calculate their deferred and current income tax liabilities in their financial statements as if the tax authorities were going to perform a tax audit. The Company has applied this interpretation with respect to determining its deferred and current income tax balances. Management has assessed that the adoption of this interpretation should not affect the deferred and current income tax balances or any of the disclosures in the financial statements.

New Accounting Standards and Interpretations not yet mandatory for the 31 December 2019 reporting period.

A number of other new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

Note 2. Income Tax

(a) Income tax receivable/(payable)
The income tax receivable/(payable) as disclosed in the statement of financial position is comprised of:

	As at	
	31 Dec 19	**30 Jun 19**
	$'000	**$'000**
Current income tax provision	(2,136)	(12,686)
Income tax instalments paid during the half-year/year	2,720	10,525
Income tax receivable/(payable)	584	(2,161)

This balance above reconciles to the statement of financial position. The "31 Dec 19" column shows the tax provision and instalments for the period 1 July 2019 to 31 December 2019. The "30 Jun 19" column shows the tax provision and instalments for the year 1 July 2018 to 30 June 2019.

Note 2. Income Tax (continued)

(b) 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:

	As at	
	31 Dec 19	**30 Jun 19**
	$'000	**$'000**
Deferred tax liability on dividends accrued	(19)	(215)
Deferred tax liability on unrealised gains on investments	(17,366)	(10,432)
Deferred tax asset impact on expense accruals	45	56
Deferred tax asset impact of capital raising and legal costs (deductible over 5 years)	71	142
Deferred tax liability	(17,269)	(10,449)

At 31 December 2019, the Company is in a deferred tax liability position and this is predominantly because the Company has unrealised gains on investments of $57,887,000 (30 June 2019: $34,773,000). The tax impact on these unrealised gains of $17,366,000 (30 June 2019: $10,432,000) formed a major part of the overall deferred tax liability.

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

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

	As at	
	31 Dec 19	**30 Jun 19**
	$'000	**$'000**
Equity securities	430,577	388,789
Derivatives	275	943
Foreign currency forward contracts	1,733	615
Total financial assets at fair value through profit or loss	432,585	390,347

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

Derivatives	1,286	1,516
Foreign currency forward contracts	2,491	1,216
Total financial liabilities at fair value through profit or loss	3,777	2,732

Note 5. Retained earnings

Opening balance	(19,137)	(18,764)
Profit/(loss) after income tax (expense)/benefit for the period/year	21,545	(373)
Transfer of profit after tax to the dividend profit reserve (see Note 6)	(21,545)	-
Closing balance	(19,137)	(19,137)

Note 6. Dividend profit reserve

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. The current period profit after tax was transferred to the dividend profit reserve. A summary of the movement in this account is shown below.

	As at	
	31 Dec 19 $'000	**30 Jun 19 $'000**
Opening balance	74,984	109,369
Profit after tax transferred from retained earnings (see Note 5)	21,545	-
Dividends paid (see Note 7)*	(11,543)	(34,385)
Closing balance	84,986	74,984

*Dividends are paid out of the dividend profit reserve. Subsequent to 31 December 2019, the 2020 interim fully-franked dividend of 3 cents per share was declared out of the reserve. The balance in the dividend profit reserve after providing for the 2020 interim dividend is $76,298,000 (or 26.35 cents per share, based on the current shares on issue).

Note 7. Dividends

Dividends paid

Dividends paid during the half-year were as follows:

	Half-year ended	
	31 Dec 19 $'000	**31 Dec 18 $'000**
Final dividend paid for the 2018 financial year (6 cents per ordinary share)	-	17,155
Final dividend paid for the 2019 financial year (4 cents per ordinary share)	11,543	-
	11,543	17,155

The “dividends paid - net of dividend re-investment plan” figure shown in the statement of cash flows is determined as follows:

Gross dividends (paid) (from above)	(11,543)	(17,155)
(Decrease)/increase in unclaimed dividends payable	(57)	8
Dividend re-investment plan allotment (see Note 8)	1,431	2,191
Dividends (paid) - net of dividend re-investment plan	(10,169)	(14,956)

Dividends not recognised at half-year end

In addition to the above dividend paid during the period, on 20 February 2020, the Directors declared the payment of the 2020 interim fully-franked dividend of 3 cents per share. The aggregate amount of the dividend expected to be paid on 19 March 2020, but not recognised as a liability at half-year end, is $8,688,000. The dividend will be paid out of the dividend profit reserve.

Note 7. Dividends (continued)

Franking credits

	Half-year ended 31 Dec 19 $'000	30 Jun 19 $'000
Franking credits available at balance date based on a tax rate of 30%	8,577	8,633
Franking (debits)/credits that will arise from the tax (receivable)/payable at balance date based on a tax rate of 30%	(584)	2,161
Franking credits available for subsequent periods based on a tax rate of 30%	7,993	10,794
Franking debits that will arise from the payment of dividends declared subsequent to the balance date based on a tax rate of 30%	(3,723)	(4,947)
Franking credits available for subsequent periods based on a tax rate of 30%	4,270	5,847

At 20 February 2020, the available franking credits balance after providing for the 2020 interim dividend would enable the payment of a fully-franked dividend of up to 3.44 cents per share fully-franked.

Note 8. Issued capital

Shares on issue as at 31 December 2019 (and 30 June 2019) were as follows

	As at 31 Dec 19 Shares	30 Jun 19 Shares	As at 31 Dec 19 $'000	30 Jun 19 $'000
Ordinary shares - fully paid	289,589,296	288,569,783	386,684	385,202

Movements in ordinary share capital during the half-year

31 Dec 19	Date	Shares	$'000
Opening balance	1 July 2019	288,569,783	385,202
Dividend reinvestment plan (a)	13 September 2019	985,222	1,431
Reinvestment of unclaimed dividends (b)	27 September 2019	34,291	51
Closing balance	31 December 2019	289,589,296	386,684
31 Dec 18			
Opening balance	1 July 2018	285,921,034	380,682
Dividend reinvestment plan (a)	12 September 2018	1,219,301	2,191
Reinvestment of unclaimed dividends (b)	19 September 2018	28,170	54
Closing balance	31 December 2018	287,168,505	382,927

(a) Shares were issued under the dividend reinvestment plan at a 2.5% discount to the volume-weighted 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 ceased to trade cum-dividend.

(b) Dividends that remain unclaimed after 6 months from payment date are automatically reinvested into additional shares in the Company.

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.

Note 8. Issued capital (continued)

Ordinary shares (continued)
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 share buy-back in place.

Note 9. Earnings per share

	Half-year ended	
	31 Dec 19	**31 Dec 18**
	$'000	**$'000**
Profit/(loss) after income tax attributable to the owners of Platinum Capital Limited	21,545	(29,077)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	289,176,665	286,672,513
	Cents	**Cents**
Basic earnings per share	7.45	(10.14)
Diluted earnings per share	7.45	(10.14)

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

Note 10. Statement of Post-Tax Net Tangible Asset Backing (NTA)

Reconciling Net Tangible Asset Backing (post-tax) in accordance with Australian Accounting Standards to that reported to the ASX.

	As at	
	31 Dec 19	**30 Jun 19**
	$'000	**$'000**
Post-tax Net Tangible Asset Backing per statement of financial position	452,533	441,049
Realisation costs* and accruals	108	(963)
Deferred income tax asset on realisation costs	-	254
Post-tax Net Tangible Asset Backing as reported to the ASX	452,641	440,340

The post-tax Net Tangible Asset Backing at 31 December 2019 was $1.6203 per share (30 June 2019: $1.5259).

*From 1 December 2019, the ASX Listing Rules were changed to allow for the ASX reporting of Net Tangible Asset Backing per share to be prepared in accordance with Australian Accounting Standards. Therefore, there were no material differences between NTA reported to the ASX and NTA reported in the statement of financial position for 31 December 2019.

Note 11. Fair value measurement

Fair value hierarchy
AASB 13: *Fair Value Measurement* requires the Company to disclose its assets and liabilities held at fair value through profit or loss using the following fair value hierarchy model (consistent with the hierarchy model applied to financial assets and liabilities at 30 June 2019):

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

31 December 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Equity securities	400,971	28,649	957	430,577
Derivatives	-	275	-	275
Foreign currency forward contracts	-	1,733	-	1,733
Total assets	400,971	30,657	957	432,585
Liabilities				
Derivatives	-	(1,286)	-	(1,286)
Foreign currency forward contracts	-	(2,491)	-	(2,491)
Total liabilities	-	(3,777)	-	(3,777)

30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Equity securities	343,003	43,119	2,667	388,789
Derivatives	-	943	-	943
Foreign currency forward contracts	-	615	-	615
Total assets	343,003	44,677	2,667	390,347
Liabilities				
Derivatives	1,236	280	-	1,516
Foreign currency forward contracts	-	1,216	-	1,216
Total liabilities	1,236	1,496	-	2,732

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

Note 11. Fair value measurement (continued)

Rationale for classification of assets as level 3

During the 2019 financial year, a new Zimbabwean currency was launched (the Zimbabwe Dollar or ZWL) and Bloomberg commenced pricing all Zimbabwean securities listed on the Zimbabwe stock exchange in ZWL on a daily basis. Subsequent to this development, the Investment Manager used the daily ZWL price quoted on the Zimbabwe stock exchange as the starting point for its daily valuation of all Zimbabwean securities. This is indicative or suggestive of Level 1 pricing. However, whilst the Reserve Bank of Zimbabwe publishes an official daily ZWL to USD exchange rate, there are no external quoted exchange rates available. Hence, the Investment Manager used the Old Mutual Implied Rate (OMIR) as a proxy exchange rate which incorporates a liquidity discount arising from the restriction on repatriating funds out of Zimbabwe. The OMIR is based on a trade weighted average of the Old Mutual securities listed on both the London and South African stock exchanges.

As a result of this manual adjustment to the ZWL price quoted on the Zimbabwe stock exchange, in order to derive or translate the local currency fair value into Australian Dollars, the securities have been classified as Level 3 for the purposes of applying the fair value hierarchy model.

As at 31 December 2019, the Company held (approximately) A$957,202 in Zimbabwean securities (based on the adjusted value applied by the Investment Manager), which constituted approximately 0.22% (30 June 2019: 0.69%) of the Company's fair value of equity securities at 31 December 2019. A summary of the Level 3 fair value applied relative to the "Level 1" equivalent fair value is disclosed in the table below.

Name of Zimbabwean Security	Fair value used to value the security in the accounts (A$) (level 3 value used)	Fair value based on the quoted closing market price at 31 December 2019 (A$) (equivalent level 1 value)	% discount
Axia Corp	48,692	75,654	36
Cassava Smartech	181,423	281,884	36
Econet Wireless Holdings	247,229	384,130	36
Innscor Africa	298,619	463,975	36
Masimba Holdings	70,553	109,622	36
Old Mutual	15,394	23,918	36
Simbisa Brands	95,292	148,058	36
Total	957,202	1,487,241	36

The total of the Level 3 values disclosed above reconcile to the "31 December 2019" Level 3 value disclosed on the previous page and shows that the value of the investments recorded in the statement of financial position was $530,039 lower than the value that would have applied if the 31 December 2019 quoted closing market price for these securities in A$ had been used when preparing the Company's statement of financial position.

When comparing 31 December 2019 to 30 June 2019, there has been no change in the valuation methodology applied to value the Zimbabwean securities and no additional Zimbabwean securities have been purchased during the review period.

Note 11. Fair value measurement (continued)

A summary of the movement in level 3 (entirely Zimbabwean) securities, for the half-year ended 31 December 2019 is outlined below

	6 months ended 31 Dec 19 $	12 months ended 30 Jun 19 $
Opening balance	2,666,734	3,926,980
Transfers to level 3	-	-
Movement during the period	(1,709,532)	(1,260,246)
Level 3 closing balance	957,202	2,666,734

Valuation process

The valuation of each investment that the Company holds is the primary responsibility of the Investment Manager ("PIML"). PIML has a Securities Pricing Committee, which has authority to review and approve valuation methodologies to be applied to determine the fair values of portfolio securities and other assets held by the Company for which no quoted market price is readily available, and to make recommendations to the Board.

The Committee also assesses if an adjustment is required to the quoted market price of any security, if it is considered that the quoted market price is not reasonable (for example securities with a so-called "stale" price). A register is maintained documenting the valuation used and the basis for the valuation of any security or investment that may be manually adjusted or manually priced.

The Securities Pricing Committee meets on a quarterly basis, and as required.

Rationale for classification of assets and liabilities as level 1

At 31 December 2019, 93.5% of the equity securities held by the Company are valued using unadjusted quoted prices in active markets and are classified as Level 1 in the fair-value hierarchy model.

Rationale for classification of assets and liabilities as level 2

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

(i) foreign currency forward contracts are classified as level 2 because 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. The price (and in the case of options, the relevant delta) can be verified directly from Bloomberg or verified using option pricing models. The underlying securities referred to in this swap contract 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 may be very similar, but not identical to the index derivative that the Company held.

Fair value of non-financial instruments

Due to their short term nature, the carrying value of receivables and payables are assumed to approximate their fair value.

Note 12. Investment Manager Fees

The Investment Manager, Platinum Investment Management Limited, receives a monthly management fee for the investment services provided in accordance with the Investment Management Agreement. This Agreement provides for a management fee payable monthly and calculated at 1.1% (30 June 2019: 1.1%) per annum of the adjusted portfolio value (which includes cash and deposits).

The Agreement also provides for a performance fee at 15%, for the year to 30 June, of the amount by which the portfolio's annual performance exceeds the return achieved by the Morgan Stanley Capital International All Country World Net Index in $A. Where the portfolio's annual return is less than the index, 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 underperformance from prior periods is carried forward until a performance fee becomes payable.

For the 6 months to 31 December 2019, the performance of the portfolio was 6.75%[3] and the performance of the index was 8.74% for the same period. This represents an underperformance of 1.99% against the index. Taking into account, the aggregate underperformance of 21.55% from the prior periods, no performance fee has been accrued. A total aggregate underperformance of 23.54% will need to be made up before a performance fee will be payable.

The management fees paid and payable are shown in the table below.

	Half-year ended	
	31 Dec 19	**31 Dec 18**
	$	**$**
Management fees paid	2,118,985	2,191,147
Management fees payable	432,660	403,137
Total	2,551,645	2,594,284

In the event of termination and in accordance with the Investment Management Agreement, Platinum Investment Management Limited may 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 may be payable for the period from the last calculation of the performance fee (as described above) to the date of termination.

Note 13. Related Party transactions

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

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

[3] This figure represents the 6 month return of the "Portfolio Value" (as defined in of the Investment Management Agreement), which is defined as the aggregate value of each asset or investment of the Company's portfolio. This differs from the Company's 6 month pre-tax NTA return of 7.17% referred to in the Directors' report, which also includes non-portfolio and non-investment related assets and liabilities.

Note 13. Related Party transactions (continued)

Key management personnel
The table below presents Non-Executive Directors remuneration including superannuation paid and payable for the half-year ended 31 December 2019 and 31 December 2018.

31 December 2019

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

31 December 2018

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

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
Margaret Towers	50,000	-	-	50,000
Richard Morath	42,372	-	-	42,372
Jim Clegg	59,972	-	-	59,972

Note 14. Remuneration of auditors

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

	Half-year ended	
	31 Dec 19	31 Dec 18
	$	$
Audit services - PricewaterhouseCoopers		
Audit and review of the financial statements	47,100	58,703
Other services - PricewaterhouseCoopers		
Taxation services	9,986	12,953
	57,086	71,656

Note 15. Notes to the Statement of Cash Flows

	31 Dec 19	30 Jun 19
	$'000	$'000
Assets		
Cash and cash equivalents	41,222	65,143
Liabilities		
Cash due to brokers	(245)	(87)
	40,977	65,056

Note 16. Contingent liabilities

No contingent liabilities exist as at 31 December 2019. The Company has no commitments for uncalled share capital on investments.

Note 17. Operating segments

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

Note 18. Events after the reporting period

Since 31 December 2019, the Investment Manager has commented with respect to the coronavirus that "*Currently, it is hard to estimate the likely duration, scale and impact of the coronavirus and we continue to monitor this issue.*"

Apart from this development and the dividend declared on 20 February 2020 as disclosed in Note 7 and the Directors' report, there are no other matters or circumstances that have arisen since 31 December 2019 that have significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes, set out on pages 7-21 comply with the *Corporations Act 2001*, Australian Accounting Standards, *the Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Margaret Towers	Richard Morath
Chairperson	Director

20 February 2020
Sydney

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Platinum Capital Limited (the Company) which comprises the statement of financial position as at 31 December 2019, the statement of changes in equity, statement of cash flows and statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Platinum Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

1. giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

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

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Company for the half-year ended 31 December 2019 included on Platinum Capital Limited's web site. The Company's directors are responsible for the integrity of the Platinum Capital Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

CJ Cummins
Partner

Sydney
20 February 2020