Platinum
CAPITAL LIMITED

Platinum Capital Limited

ABN 51 063 975 431

Interim Financial Report
For the half-year ended 31 December 2018

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

Platinum Capital Limited
Directors' report
31 December 2018

The Directors present their report, together with the interim financial statements of Platinum Capital Limited (the "Company") for the half-year ended 31 December 2018.

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 Non-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 ("Platinum"), to be undervalued.

Changes in Portfolio Management Responsibilities
As part of Platinum's long-term succession planning, on 1 July 2018, the portfolio management responsibilities for the Company were reallocated from Kerr Neilson to Andrew Clifford, Platinum's Chief Investment Officer. Andrew also assumed the role of Chief Executive Officer of the Platinum Group from Kerr with effect from 1 July 2018. Andrew, was a founding director of Platinum Capital Limited in 1994.

Kerr Neilson remains a full time executive director of Platinum Asset Management Limited and a member of Platinum's investment team, continuing to work on the generation of investment ideas and company research.

Operating and Financial Review
For the 6 months ending 31 December 2018, the Company's net loss before tax was $41,571,000 (31 December 2017: net profit before tax of $64,320,000) and net loss after tax was $29,077,000 (31 December 2017: net profit after tax of $45,019,000).

The Directors consider that pre-tax Net Tangible Asset ("NTA") backing per share, after the deduction of fees and expenses, adjusted for corporate taxes paid, and any capital flows and assuming the reinvestment of dividends, is a better measure of performance of the Company than the reported profits. This is because pre-tax NTA per share is the most accurate way to assess the performance of the Investment Manager. For the 6 months to 31 December 2018, the Company's pre-tax NTA decreased from $1.75 per share to $1.50 per share. This is after the payment of the 6 cents per share dividend paid in September 2018.

For the 6 months ending 31 December 2018, the Company's pre-tax NTA decreased by 8.6% versus a decrease of 4.5% for the benchmark Morgan Stanley Capital International All Country World Net Index (MSCI) in A$ terms[1]. For the 5 years to 31 December 2018, the Company delivered an annualised compound return of 6.5% per annum (measured by the Company's pre-tax NTA), which was behind the MSCI All Country World Net Index in A$ terms, which delivered a compound annualised return of 9.4% per annum for the same period.

---

[1] The investment returns are calculated using PMC's pre-tax Net Tangible Asset backing per share for the specified period. Returns are calculated after the deduction of fees and expenses, adjusted for taxes paid and any capital flows and assumes the reinvestment of dividends. Please note that the returns are not calculated using PMC's share price. The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited (PMC returns) and FactSet (MSCI returns). The MSCI returns assume the reinvestment of dividends.

Operating and Financial Review (continued)
The interim period has been challenging for the Company. Performance of the portfolio was primarily impacted by China's financial reforms (and the resulting unintended Chinese economic slowdown caused by the tightening of credit). The Chinese economic slowdown was exacerbated by uncertainty surrounding the US-China trade war and rising US interest rates. These factors resulted in the heavy sell-off of out of favour stocks that were either sensitive to economic growth or exposed to trade issues, as the market gravitated towards more expensive stocks that were perceived to be "safer".

The Investment Manager is of the view that the catalysts for the tough 2018 year are starting to reverse, with policy loosening in China, moderation in market expectations for US rate rises and hopes of a progressive unwinding of the trade war.

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

Proposal to discontinue cash refunds of franking credits
The Board believes the Federal Opposition's policy, to discontinue cash refunds of franking credits, is discriminatory and unfair and Platinum with the Board's support, conveyed this view to the Leader of the Federal Opposition and Shadow Treasurer.

As a member of LICAT (Listed Investment Companies and Trusts Association), we have actively supported their representations to Treasury and the political parties. Unfortunately, as Platinum has made clear in its submissions, the policy particularly discriminates against shareholders in Listed Investment Companies on low marginal tax rates. However, while remaining concerned, the Board also considers there are possible reasons why this policy may either be amended, or not in fact, implemented. Accordingly, the Board will continue to monitor developments closely with the objective of making appropriate recommendations to shareholders as events unfold.

We encourage all investors to voice their opinion to their local Member of Parliament and make representations to the House of Representatives Standing Committee on Economics *Inquiry into the implications of removing refundable franking credits.*

Dividends
For the half-year ended 31 December 2018, PMC's earnings per share was negative 10.14 cents per share, however in accordance with its policy of dividend smoothing, the Board has declared a 2019 interim fully-franked dividend of 3 cents per share. In addition, the Board has declared a special fully-franked dividend of 3 cents per share. The Board is distributing additional franking credits ahead of a potential change in future Government policy, which may result in the removal or discontinuation of the cash refund of franking credits.

The Company's ability to pay franked dividends is dependent on the Company paying income tax. At 19 February 2019, after allowing for the 2019 fully-franked interim dividend of 3 cents per share and the special dividend of 3 cents per share (total interim and special dividend of $17,230,000), the Company has an ability to pay fully-franked dividends of up to 6.87 cents per share (including the 31 December 2018 tax liability). The Board has a policy of dividend smoothing and endeavours to ensure that there are sufficient franking credits available to pay fully-franked dividends in the future.

The record date of both of these dividends will be 28 February 2019 and are payable to shareholders on 19 March 2019, out of the dividend profit reserve.

After the payment of the interim 2019 dividend and special dividend, the balance in the dividend profit reserve is $74,984,000, which translates to 26.11 cents per share, based on the current shares on issue. For the comparative interim reporting period, a fully-franked dividend of 4 cents per share ($11,405,000) was paid.

Dividend Reinvestment Plan
The dividend reinvestment plan (DRP) is in operation and a (2.5 per cent) discount to the relevant share price applies to both the interim and special dividends.

Platinum Capital Limited
Directors' report
31 December 2018

Absolute Returns
As illustrated in the Financial Information Summary, the Company has a strong record of delivering absolute returns, largely as a consequence of containing losses during market downturns. Over all of the rolling five-year periods, commencing each month since inception in 1994 to 31 December 2018, the Company has achieved positive returns 96% of the time. In contrast, the MSCI All Country World Net Index in A$ terms achieved positive returns 63% of the time. For all rolling monthly five-year periods since inception to 31 December 2018, the Company exceeded a return of 8% compound per annum 74% of the time, versus 42% of the time for the index.

Since inception (29 June 1994) to 31 December 2018, the Company's compound annualised return (measured by the Company's pre-tax NTA) was 11.8% per annum. The MSCI All Country World Net Index over the same period delivered a compound annualised return of 6.7% per annum.

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

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

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

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

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

Auditor's independence declaration
A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

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

On behalf of the Directors

Margaret Towers
Chairperson

Richard Morath
Director

19 February 2019
Sydney

Auditor's Independence Declaration

As lead auditor for the review of Platinum Capital Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

Simon Cuthbert
Partner
PricewaterhouseCoopers

Sydney
19 February 2019

Platinum Capital Limited
Contents
31 December 2018

General information

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

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

Level 8, 7 Macquarie Place
Sydney NSW 2000

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

The interim report was authorised for issue, in accordance with a resolution of Directors, on 19 February 2019.

Platinum Capital Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Half-year ended 31 Dec 18 $'000	31 Dec 17 $'000
Investment income			
Dividends		2,833	3,095
Interest		125	8
Net (losses)/gains on equities/derivatives		(43,496)	63,612
Net (losses)/gains on foreign currency forward contracts		(272)	2,005
Net foreign exchange gains/(losses) on overseas bank accounts		2,666	(705)
Total investment (loss)/income		(38,144)	68,015
Expenses			
Management fees	12	(2,594)	(2,742)
Custody		(107)	(163)
Share registry		(64)	(118)
Continuous reporting disclosure		(112)	(154)
Directors' fees	13	(93)	(93)
Auditor's remuneration and taxation services	14	(72)	(67)
Brokerage and transaction costs		(304)	(226)
Other expenses		(81)	(132)
Total expenses		(3,427)	(3,695)
(Loss)/profit before income tax benefit/(expense)		**(41,571)**	**64,320**
Income tax benefit/(expense)		12,494	(19,301)
(Loss)/profit after income tax benefit/(expense) for the half-year attributable to the owners of Platinum Capital Limited		(29,077)	45,019
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive (loss)/income for the half-year attributable to the owners of Platinum Capital Limited		**(29,077)**	**45,019**
Basic earnings per share (cents per share)	9	**(10.14)**	15.82
Diluted earnings per share (cents per share)	9	**(10.14)**	15.82

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 2018

	Note	As at 31 Dec 18 $'000	30 Jun 18 $'000
Assets			
Cash and cash equivalents		62,901	51,254
Receivables		2,804	5,192
Financial assets at fair value through profit or loss	3	374,347	448,907
Total assets		**440,052**	**505,353**
Liabilities			
Payables		2,853	1,540
Financial liabilities at fair value through profit or loss	4	4,804	2,493
Income tax payable	2(a)	3,383	6,091
Net deferred tax liability	2(b)	1,712	23,942
Total liabilities		**12,752**	**34,066**
Net assets		**427,300**	**471,287**
Equity			
Issued capital	8	382,927	380,682
Retained earnings/(losses)	5	(47,841)	(18,764)
Dividend profit reserve	6	92,214	109,369
Total equity		**427,300**	**471,287**

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 2018

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

	Issued capital $'000	Retained earnings /(losses) $'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 benefit for the half-year	-	(29,077)	-	(29,077)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	(29,077)	-	(29,077)
Transactions with owners in their capacity as owners:				
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 of changes in equity should be read in conjunction with the accompanying notes.

Platinum Capital Limited
Statement of cash flows
For the half-year ended 31 December 2018

	Note	Half-year ended 31 Dec 18 $'000	31 Dec 17 $'000
Cash flows from operating activities			
Payments for purchase of financial assets		(135,446)	(149,410)
Proceeds from sale of financial assets		170,996	134,703
Dividends received		3,759	4,520
Interest received		152	31
Management fees paid		(2,652)	(2,698)
Other expenses paid		(799)	(1,082)
Income tax paid		(12,226)	(2,032)
Net cash from/(used in) operating activities		**23,784**	**(15,968)**
Cash flows from financing activities			
Dividends paid - net of dividend re-investment plan	7	(14,956)	(14,765)
Proceeds from issue of shares in relation to unclaimed dividends	8	54	30
Net cash (used in) financing activities		**(14,902)**	**(14,735)**
Net increase/(decrease) in cash and cash equivalents		8,882	(30,703)
Cash and cash equivalents at the beginning of the half-year		51,254	51,110
Effects of exchange rate changes on cash and cash equivalents		2,765	(349)
Cash and cash equivalents at the end of the half-year		**62,901**	**20,058**

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 2018 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 interim reporting period ended 31 December 2018 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 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

New Accounting Standards adopted for the interim *reporting period ended 31 December 2018*

The following Australian Accounting Standards have been adopted by the Company for the interim reporting period ended 31 December 2018 for the first time.

(a) New accounting standards and interpretations

Other than as noted below, there are no standards, interpretations or amendments to existing standards that are effective for the first time from 1 July 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(b) Adoption of AASB 9: *Financial Instruments* (and applicable amendments) ("AASB 9")

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also introduced revised rules around hedge accounting and impairment. The standard was applicable from 1 January 2018.

The Company has adopted AASB 9 for reporting periods commencing 1 January 2018. AASB 9 replaced the classification and measurement model in AASB 139: *Financial Instruments: Recognition and Measurement* with a new model that classifies financial instruments based on the business model within which the financial instruments are managed, and whether the contractual cash flows under the instrument solely represent the payment of principal and interest.

Under the new standard, financial instruments are classified as:

- amortised cost if the objective of the business model is to hold the financial instruments to collect contractual cash flows and those cash flows represent solely payments of principal and interest (SPPI);

- fair value through other comprehensive income if the objective of the business model is to hold the financial instruments to collect contractual cashflows from SPPI and to sell; or

- all other financial instruments must be recognised at fair value through profit or loss. An entity can, at initial recognition, also irrevocably designate a financial instrument as measured at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

AASB 9 has been applied retrospectively by the Company and did not result in a change to the classification or measurement of financial instruments, given no debt instruments are held by the Company, which could result in a reclassification of the financial instruments to amortised cost or fair value through other comprehensive income (“FVOCI”). The derecognition rules have not been changed from previous requirements and the Company does not apply hedge accounting.

Note 1. Basis of preparation of the interim financial report (continued)

Financial instruments

Classification
The Company classifies its investments based on its business model for managing those investments and their contractual cash flow characteristics. The Company's portfolio of financial assets and financial liabilities are managed and performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company evaluates the information about its investments on a fair value basis together with other related financial information.

For equity securities, derivatives and foreign currency forward contracts, the contractual cash flows held by the Company are not comprised of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

Recognition
The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in the fair value of financial assets or financial liabilities from this date.

Investments are derecognised when the contractual right to receive cash flows from the investments have expired or have been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

Measurement
At initial recognition, the Company measures financial assets and financial liabilities at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within "net (losses)/gains in equities and derivatives at fair value through profit or loss" or "net (losses)/gains on foreign currency forward contracts" in the period in which they arise.

For further details on how the fair values of financial instruments are determined, please see Note 11 to the financial statements.

(c) Adoption of AASB 15: *Revenue from contracts with customers and associated amendments*

The main objective of this 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 standard is applicable for annual reporting periods beginning on or after 1 January 2018.

The Company's main source of income is investment income, in the form of 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 was assessed as not having a material impact on the Company's results in the current or future reporting periods.

AASB 15 has been applied retrospectively by the Company and did not result in a material change in revenue recognition for the Company.

Accounting Standards and Interpretations not yet mandatory or early adopted for the 31 December 2018 reporting period

There are no current standards and interpretations that are not yet effective that are expected to be relevant to the Company in the current or future reporting periods and on foreseeable future transactions.

Note 2. Income tax payable

(a) Income tax payable

The income tax payable as disclosed in the statement of financial position is comprised of:

	As at 31 Dec 18 $'000	30 Jun 18 $'000
Current income tax provision	(9,560)	(16,721)
Income tax instalments paid during the half-year/year	6,177	10,630
Income tax payable	(3,383)	(6,091)

This balances above reconcile to the statement of financial position. The "31 Dec 18" column shows the tax provision and instalments for the period 1 July 2018 to 31 December 2018. The "30 Jun 18" column shows the tax provision and instalments for the period 1 July 2017 to 30 June 2018.

(b) Recognition of deferred tax balances

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

Deferred tax liability on dividends accrued	(35)	(311)
Deferred tax liability on investments	(1,864)	(23,914)
Deferred tax asset impact on expense accruals	44	69
Deferred tax asset impact of capital raising and legal costs (deductible over 5 years)	143	214
Net deferred tax liability	(1,712)	(23,942)

At 31 December 2018, the Company is in a deferred tax liability position and this is predominantly because the Company has net unrealised gains on investments of $6,214,000 (30 June 2018: $79,713,000). The tax impact on these unrealised gains of $1,864,000 (30 June 2018: $23,914,000) formed a major part of the overall net 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

Equity securities	370,737	444,444
Derivatives	716	2,553
Foreign currency forward contracts	2,894	1,910
Total financial assets at fair value through profit and loss	374,347	448,907

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

Derivatives	1,407	239
Foreign currency forward contracts	3,397	2,254
Total financial liabilities at fair value through profit and loss	4,804	2,493

Note 5. Retained earnings/(losses)

	As at 31 Dec 18 $'000	As at 30 Jun 18 $'000
Opening balance 1 July 2018 (1 July 2017)	(18,764)	(18,764)
(Loss)/profit after income tax benefit/(expense) for the period/year	(29,077)	50,353
Transferred to dividend profit reserve (see Note 6)*	-	(50,353)
Closing balance	(47,841)	(18,764)

* The current period loss after income tax benefit (together with any prior period losses) was not transferred to the dividend profit reserve.

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/(losses). The current period loss after income tax benefit was not transferred to the dividend profit reserve. A summary of the movement in this account is shown below.

Opening balance 1 July 2018 (1 July 2017)	109,369	87,445
Transfer of operating profit after tax from retained earnings/(losses)	-	50,353
Dividends paid (see Note 7)*	(17,155)	(28,429)
Closing balance	92,214	109,369

*Dividends are paid out of the dividend profit reserve. Subsequent to 31 December 2018, the 2019 interim fully-franked dividend of 3 cents and a special dividend of 3 cents per share was declared out of the reserve. The balance in the dividend profit reserve after providing for the 2019 interim dividend and special dividend is $74,984,000 (or 26.11 cents per share, based on the current shares on issue).

Note 7. Dividends

Dividends paid during the half-year were as follows:

	Half-year ended 31 Dec 18 $'000	Half-year ended 31 Dec 17 $'000
Final dividend paid for the 2017 financial year (6 cents per ordinary share)	-	17,025
Final dividend paid for the 2018 financial year (6 cents per ordinary share)	17,155	-
Total	17,155	17,025

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)	(17,155)	(17,025)
Increase in unclaimed dividends payable	8	49
Dividend reinvestment plan allotment (Note 8)	2,191	2,211
Dividends paid - net of dividend re-investment plan	(14,956)	(14,765)

Dividends not recognised at balance date
In addition to the above dividends paid during the period, on 19 February 2019, the Directors declared the payment of both a 2019 interim fully-franked dividend of 3 cents per share and a special dividend of 3 cents per share. The aggregate amount of these dividends expected to be paid on 19 March 2019, but not recognised as a liability at half-year end, is $17,230,000. The dividends will both be paid out of the dividend profit reserve.

Note 7. Dividends (continued)

Franking credits

	Half-year ended 31 Dec 18 $'000	31 Dec 17 $'000
Franking credits available at balance date based on a tax rate of 30%	11,652	4,267
Franking credits that will arise from the tax payable at balance date based on a tax rate of 30%	3,383	4,555
Franking credits available for subsequent financial years based on a tax rate of 30%	15,035	8,822
Franking debits that will arise from the payment of dividends declared subsequent to balance date based on a tax rate of 30%	(7,384)	(4,888)
Net franking credits available based on a tax rate of 30%	7,651	3,934

At 19 February 2019, the available franking credits balance after providing for both the 2019 interim dividend and special dividend would enable the payment of a fully-franked dividend of up to 6.87 cents per share fully-franked.

Note 8. Issued capital

Shares on issue as at 31 December 2018 (and 30 June 2018) were as follows

	As at 31 Dec 18 Shares	30 Jun 18 Shares	As at 31 Dec 18 $'000	30 Jun 18 $'000
Ordinary shares - fully paid	287,168,505	285,921,034	382,927	380,682

Movements in ordinary share capital during the half-year

31 Dec 18	**Date**	**Shares**	**$'000**
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
31 Dec 17			
Opening balance	1 July 2017	283,753,289	376,895
Dividend reinvestment plan (a)	11 September 2017	1,348,172	2,211
Reinvestment of unclaimed dividends (b)	19 September 2017	17,550	30
Closing balance	31 December 2017	285,119,011	379,136

(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.

Note 8. Issued capital (continued)

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

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

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

Note 9. Earnings per share

	Half-year ended	
	31 Dec 18 $'000	31 Dec 17 $'000
(Loss)/profit after income tax attributable to the owners of Platinum Capital Limited	(29,077)	45,019
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	286,672,513	284,583,835
	Cents	**Cents**
Basic earnings per share	(10.14)	15.82
Diluted earnings per share	(10.14)	15.82

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

Reconciling post-tax Net Tangible Asset backing in accordance with Australian Accounting Standards to that reported to the ASX*

	As at	
	31 Dec 18 $'000	30 Jun 18 $'000
Post-tax Net Tangible Asset backing per statement of financial position	427,300	471,287
Realisation costs and accruals*	(934)	(1,102)
Deferred income tax asset on realisation costs	274	368
Post-tax Net Tangible Asset backing as reported to the ASX	426,640	470,553

The post-tax Net Tangible Asset backing per share at 31 December 2018 was $1.4857 per share (30 June 2018: $1.6457).

* 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 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 2018):

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 Dec 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Equity securities	339,300	26,021	5,416	370,737
Derivatives	647	69	-	716
Foreign currency forward contracts	-	2,894	-	2,894
Total assets	339,947	28,984	5,416	374,347
Liabilities				
Derivatives	-	1,407	-	1,407
Foreign currency forward contracts	-	3,397	-	3,397
Total liabilities	-	4,804	-	4,804

30 Jun 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Equity securities	423,183	17,334	3,927	444,444
Derivatives	1,364	1,189	-	2,553
Foreign currency forward contracts	-	1,910	-	1,910
Total assets	424,547	20,433	3,927	448,907
Liabilities				
Derivatives	-	239	-	239
Foreign currency forward contracts	-	2,254	-	2,254
Total liabilities	-	2,493	-	2,493

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

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

The Company’s policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. In the previous reporting period, (September 2017), all of the Zimbabwean securities held by the Company were transferred from Level 1 to Level 3. At 31 December 2018, the quantum of the Company’s Level 3 investments as a proportion of total fair value of investments was less than 1.5%.

During the half-year, there were no additional securities or investments transferred to Level 3, with the exception of shares in a newly listed Zimbabwean security (Cassava Smartech (“Cassava”)) which the Company received as a result of a corporate action arising in respect of its investment in an existing Level 3 security (Econet Wireless Holdings (“Econet”)). This is discussed on the following pages.

Note 11. Fair value measurement (continued)

With respect to the Company's Zimbabwean securities held since 12 September 2017, the Investment Manager applied a 33% discount for the lack of liquidity and booked a fair value adjustment against all of the Company's Zimbabwean security positions. The fair value used to value all of these Zimbabwean securities in the interim report was the lowest quoted closing market price between 12 September 2017 and 31 December 2018 less a 33% foreign currency repatriation discount. This was ratified by the Board.

September 2017 was the month that sufficient information was received by the Investment Manager with respect to the difficulty in repatriating proceeds on the disposal of these securities. The Company considers that a Level 3 classification is appropriate, because the fair value, particularly when considering the 33% discount that has been applied, is not based on observable market data.

During the interim period, shareholders in one of the Company's Zimbabwean security positions, Econet Wireless Holdings were allocated shares, in proportion to their stake in Econet, in a new company called Cassava Smartech. Cassava commenced trading on the Zimbabwe Stock Exchange on 18 December 2018. The formation of Cassava occurred close to the end of the reporting period. Therefore, the fair value of Cassava at balance date, has been determined using the same effective discount rate of 70%.

As at 31 December 2018, the Company held approximately A$5,416,421 in Zimbabwean securities (based on the adjusted value applied by the Investment Manager), which constituted approximately 1.46% of the Company's total fair value of investments at 31 December 2018. 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$) (Level 3 value used)**	**Fair value based on the quoted closing market price at 31 Dec 2018 (A$) (equivalent Level 1 value)**	**% discount**
Axia Corp	211,725	888,770	76%
Econet Wireless Holdings	1,933,587	6,127,262	68%
Cassava Smartech	1,402,960	4,726,282	70%
Innscor Africa	1,176,249	4,059,814	71%
Masimba Holdings	255,218	732,543	65%
Simbisa Brands	436,682	1,422,032	69%
Total	5,416,421	17,956,703	70%^

^ The % discount vis a vis the quoted closing market price as at 31 December 2018 in respect of those Zimbabwean securities held from 12 September 2017, exceeded the 33% discount applied. This is because the 33% discount was applied against the lowest quoted market price for the period from 12 September 2017 to 31 December 2018.

The total of the Level 3 values disclosed above reconcile to the "31 Dec 2018" Level 3 value disclosed on the previous page.

The above table shows that the value of the investments recorded in the statement of financial position was $12,540,282 lower than the value that would have applied if the 31 December 2018 quoted closing market price for these securities had been used when preparing the Company's statement of financial position.

A summary of the movement in Level 3 (entirely Zimbabwean) securities, for the half-year ended 31 December 2018 is outlined below:

	31 Dec 18 $	**30 Jun 18 $**
Opening balance 1 July 2018 (1 July 2017)	3,926,980	-
Transfers to Level 3	-	3,926,980
Gains recognised in income statement	1,489,441	-
Closing balance	5,416,421	3,926,980

Note 11. Fair value measurement (continued)

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

Valuation inputs and relationship to fair value for Level 3 securities
The following table summarises the quantitative information about the unobservable inputs used in the Level 3 fair value measurements.

Description	Best estimate of fair value at 31 Dec 2018	Unobservable inputs	Downside/Upside
Zimbabwean securities	$5,416,421	For securities held since 12 September 2017, a two-step process was applied to obtain the 31 December 2018 fair value, taking the lowest quoted closing market price between 12 September 2017 and 31 December 2018 and applying a 33% discount to that lowest closing quoted market price during this period. For Cassava, a 70% discount has been applied to the lowest quoted market price since listing on 18 December 2018.	Downside: forced redemption and loss of $5,426,421 of sale proceeds (before brokerage). Upside: redemption and repatriation of securities at quoted closing market price.

Rationale for classification of assets and liabilities as Level 1
At 31 December 2018, 92% of the equity securities and derivatives held by the Company are valued using unadjusted quoted prices in active markets and are classified as Level 1 in the fair-value hierarchy model.

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

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

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

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

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

Note 11. Fair value measurement (continued)

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% (2017: 1.1%) per annum of the adjusted portfolio value (which includes cash and deposits).

Performance fee is also payable to the Investment Manager at a rate of 15% per annum of the amount by which the portfolio's annual performance (at 30 June) exceeds the return achieved by the Morgan Stanley Capital International All Country World Net Index (MSCI). Where the portfolio's annual performance 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.

At 31 December 2018, pre-tax performance of the portfolio was negative 8.33% and the corresponding MSCI negative 4.52%. This represents an underperformance of 3.81% against the MSCI in the current period. The brought forward prior year underperformance to 30 June 2018 was 9.95% and this means that total aggregate underperformance of 13.76% needs to be recovered before a performance fee will be paid.

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

	Half-year ended	
	31 Dec 18	**31 Dec 17**
	$	**$**
Management fees paid	2,191,147	2,271,293
Management fees payable	403,137	470,468
Total	2,594,284	2,741,761

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

Note 13. Related party transactions

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

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

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 2018 and 31 December 2017.

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

31 December 2017

	Cash Salary $	Superannuation $	Total $
Bruce Coleman (former Chairperson)	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 auditor

	Half-year ended 31 Dec 18 $	Half-year ended 31 Dec 17 $
Audit services - PricewaterhouseCoopers		
Audit and review of the financial statements	58,703	56,994
Taxation services - PricewaterhouseCoopers		
Taxation and compliance services	12,953	9,623
	71,656	66,617

Note 15. Contingent liabilities

No contingent liabilities exist as at 31 December 2018. The Company has no commitments for uncalled share capital on investments.

Note 16. Operating segments

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

Note 17. Events after the reporting period

Apart from the dividends declared on 19 February 2019 as disclosed in Note 7 and the Directors' report, there are no other matters or circumstances that have arisen since 31 December 2018 that have significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134: *Interim Financial Reporting, the Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the 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

19 February 2019
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 2018, 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 is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2018 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*.

pwc

Conclusion

Based on our review, which is not an audit, wc havc not bccomc awarc of any mattcr that makcs us believe that the half-year financial report of Platinum Capital Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 31 December 2018 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 2018 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

PricewaterhouseCoopers

Simon Cuthbert
Partner

Sydney
19 February 2019