

Appendix 4E

Preliminary final report

Listing Rule 4.3A

Company	Platinum Asset Management Limited
ASX Code	PTM
Year Ended	30 June 2018
Previous corresponding period – Year Ended	30 June 2017
ABN	13 050 064 287

Results for Announcement to the Market

Announcement to the market for the Platinum Asset Management Limited Consolidated Group should be read in conjunction with the attached 30 June 2018 Annual Report:-

	% Mvt	\$A'000
Total revenue	5.9%	353,290
Profit from ordinary activities after income tax	-0.6%	191,594
Net profit attributable to members	1.7%	189,221
Basic and diluted EPS (cents per share)		32.36 cps

Platinum's average Funds Under Management ("FUM") for the year increased by 13.1%, due to the combined effect of strong investment returns and net client inflows.

Total revenue increased by 5.9% to \$353.3 million, due primarily to increased FUM and performance fees and this more than offset the impact caused by the reduction in Platinum Trust Funds/Platinum Global Fund fees, where Platinum reduced its total fees and charges for the standard fee option for each of the Platinum Trust Funds and the Platinum Global Fund from 1.5% per annum to 1.35% per annum, from 3 July 2017.

The headline expense figure increased from the previous year (up 34.9% to \$85.0 million) primarily due to the increase in staff remuneration expenses, which rewarded the excellent 1 and 3 year relative and absolute returns generated by the investment team for our underlying Funds and Mandates.

As a result net profit attributable to members increased 1.7% for the year to \$189.2 million.

Profit from ordinary activities after income tax was down slightly, due to the impact of the accounting standards, which required the consolidation of one of our offshore vehicles for part of the prior year.

Dividends

Dividend declared	16 cents per share fully-franked
Ex-dividend date	30 August 2018
Record date	31 August 2018
Payable date	21 September 2018

A 2018 interim fully-franked dividend of 16 cents per share was paid on 19 March 2018.

Refer to the attached audited financial statements for financial data on the consolidated entity.

Dividend Reinvestment Plan

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

Other Information

Net tangible assets per share of the consolidated entity was \$0.70 at 30 June 2018 as compared to \$0.57 at 30 June 2017.

J Jefferies
Company Secretary
23 August 2018

Platinum Asset Management Limited Chairman's Report 2018

This year has seen a number of interesting developments for the Company (ASX code: PTM).

First and foremost, investment returns remained strong with most of our funds delivering outstanding returns (both in absolute and relative terms) for the 12 months to 30 June 2018. All of our Platinum Trust® Funds and the Platinum Global Fund (mFund), delivered double digit returns for the 12 months to 30 June 2018, and seven of those nine funds delivered returns in excess of 14% over the same period¹. These figures highlight the depth of talent and expertise at Platinum² covering multiple regions and industry sectors.

It was pleasing to see the significant industry recognition of Platinum's achievements by Morningstar in March 2018, with Platinum receiving the much-coveted *Australian Fund Manager of the Year 2018* award as well as the *Fund Manager of the Year* award for the *International Equities Category, Australia 2018*³. These achievements are particularly noteworthy given the increasingly intense competition in the global equity asset management space.

Funds under Management ("FUM")

FUM as at 30 June 2018 was approximately \$25.7 billion (post 30 June cash distributions), an increase of 13.1% from the 30 June 2017 closing FUM of approximately \$22.7 billion.

The main contributor to FUM growth was the strong investment performance of our funds, which added approximately \$3.5 billion to FUM for the financial year. Net fund inflows contributed approximately \$1 billion while net distributions reduced FUM by approximately \$1.5 billion. The distribution was the highest ever paid for the Platinum Trust® Funds and was a direct result of the strong realised investment gains made during the financial year.

It is pleasing to note the improvement in fund flows this financial year relative to last financial year which saw net fund outflows of \$1.7 billion. This can partly be attributed to the lagged effect of the improvement in investment performance for most of our funds and mandates over the last two years.

Operating Performance

In the current year, fee revenue for the Company increased by 5.2% to \$328.7 million (2017: \$312.5 million) on account of the increase in inflows and strong investment performance. Performance fees contributed \$21.9 million to the total fee revenue.

The growth in revenue is particularly pleasing in light of Platinum's decision to reduce its management fees for the standard fee option for each of the Platinum Trust® Funds and the Platinum Global Fund (mFund) from 3 July 2017. When we first announced the reduction in management fees for these funds in April 2017, we estimated that the Company's 2018 revenue may decrease by as much as \$24 million or 9% from financial year 2017. The increase in revenue achieved during the 2018 financial year was therefore a true reflection to both Platinum's enduring investment philosophy, which delivered strong realised gains, as well as the continuing trust and recognition from our clients.

In terms of other investment income, the investments held by the Platinum Group® delivered investment gains for the year of \$24.6 million (2017: \$21.1 million).

The headline expense figure increased materially from the previous financial year (up by \$22.0 million to \$85.0 million). This was primarily due to the increase in staff remuneration expenses (up by \$15.0

¹ Historical performance is not a reliable indicator of future performance. The returns for the Platinum Trust Funds/Platinum Global Fund are calculated using the relevant fund's net asset value (NAV) unit price (i.e. excluding a buy/sell spread) for C Class, and represent the combined income and capital returns in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of distributions. All returns are sourced from Platinum Investment Management Limited.

² References to 'Platinum' are to Platinum Investment Management Limited.

³ Morningstar Awards 2018 ©. Morningstar, Inc. All Rights Reserved. Awarded to Platinum Asset Management for Australian Fund Manager of the Year 2018, and Fund Manager of the Year: International Equities Category, Australia.

million to \$49.2 million), mostly paid to the investment team for the excellent one- and three-year relative and absolute investment returns to 31 March 2018.

The profit after tax attributed to owners was \$189.2 million, representing an increase of \$3.2 million or 1.7% from the 2017 financial year figure of \$186.0 million.

Based on this profit figure, the basic and diluted earnings per share (EPS) for the 2018 financial year increased to 32.36 cents per share, from 31.74 cents per share for the previous financial year.

Remuneration Matters

Included in the 2018 Remuneration Report on page 11 of the Company's 2018 Annual Report is a letter from the Chair of the Nomination and Remuneration Committee. I encourage all shareholders to read this letter, which outlines the remuneration policy of the Platinum Group® and the focus of Platinum on performance-based remuneration. The alignment of employee remuneration with investment returns generated for clients is a key underpinning of this remuneration policy. In such a competitive environment, it is vital that Platinum is able to attract and retain high calibre individuals.

As a result of the strong one- and three-year absolute and relative investment returns, Platinum rewarded its investment team with an increase in variable short-term cash and deferred incentive awards. As a result, staff expenses increased for the 2018 financial year in recognition of the strong investment outperformance delivered.

As a member of the investment team, Andrew Clifford (as Platinum's Chief Investment Officer) received a variable award for the 2018 financial year. I note that Andrew Clifford received no variable award for the 2016 or 2017 financial years. Two other executive KMPs received variable awards for the financial year, namely, the Company's Director of Investor Services and Communications, Elizabeth Norman and the Finance Director, Andrew Stannard.

Dividends

The Directors have declared a 2018 final fully-franked ordinary dividend of 16 cents per share. This will be paid on 21 September 2018.

A 2018 interim fully-franked ordinary dividend of 16 cents per share was paid on 19 March 2018.

Whilst the Company has a Dividend Reinvestment Plan in place, it has not been activated and is unlikely to be activated in the near term.

Launch of new products

The 2018 financial year represents the third consecutive year in which Platinum has launched new investment products that aim to broaden Platinum's investor base, with the objective of increasing inflows and fees over time. In addition to offering a new performance fee class under each of the eight Platinum Trust® Funds, Platinum also launched two ASX-quoted actively-managed funds during this financial year. The Platinum International Fund (Quoted Managed Hedge Fund) (ASX ticker: PIXX) and Platinum Asia Fund (Quoted Managed Hedge Fund) (ASX ticker: PAXX) are feeder funds that invest primarily in the unlisted Platinum International Fund and Platinum Asia Fund respectively, thereby providing investors with access to the portfolio composition of these flagship funds with strong long-term track records, their portfolio managers and investment strategies. However, being quoted on the ASX, these innovative products allow investors to conveniently buy and sell units through their stockbrokers with the knowledge of a real-time indicative net asset value unit price before placing a trade. We have been delighted with the level of investor support for these new funds. At 30 June 2018, total FUM in these quoted managed funds was \$312.5 million (post cash distribution).

As part of its international distribution strategy, Platinum plans to shortly launch a range of investment vehicles targeting institutional investors in the United States and Canada. Platinum has appointed AccessAlpha Worldwide LLC to distribute these products and promote Platinum's global equity capabilities in North America. We believe that the US and Canadian institutional market should, over time, offer strong growth prospects for Platinum.

Appointment of a new Chief Executive Officer/Managing Director

With full endorsement from the Board, Andrew Clifford took over from Kerr Neilson as the Managing Director and Chief Executive Officer of the Platinum Group® from 1 July 2018. Andrew assumed this new role in addition to his role as Platinum's Chief Investment Officer. Andrew is a co-founder of Platinum and has worked alongside Kerr for more than 30 years. The transition is part of the orderly succession planning of the Platinum Group®.

Kerr Neilson continues as an Executive Director of the Company and a full-time member of Platinum's investment team. Kerr will continue to contribute investment ideas, mentor junior members of the team, as well as provide support to further Platinum's various offshore distribution initiatives.

Director Renewal

As part of the Company's director renewal programme, the Board was delighted to welcome two additional non-executive Board members this calendar year, Ms Brigitte Smith and Mr Tim Trumper.

Brigitte has 20 years' experience in venture capital, business strategy and start-up company operations. She co-founded and is the Managing Director of GBS Venture Partners Ltd (GBS) and also sits on the board of Moximed Inc, a portfolio company of GBS. Prior to founding GBS, Brigitte worked in the US and Australia in operating roles with early stage technology based companies, and at Bain & Company as a strategic management consultant. I am excited about the breadth of industry and business experience that Brigitte brings to the Board.

Tim is an experienced non-executive director, a former CEO, and an advisor for high-performance global and Australian companies. His career has spanned diverse sectors including artificial intelligence and machine learning, big data, digital transformation, mobility and transport, financial services and media. Tim is the Chairman of NRMA, an advisor and shareholder in Quantum, Australia's leading data and analytics company, and a director of the Population Health Research Network (PHRN). He also holds interests in several private high growth innovative companies. Tim has deep experience with the utilisation of data to drive innovation and corporate strategy. His core interest relates to how directors can guide data governance and facilitate successful business transformation.

In accordance with good governance, the Board intends to continue to review and monitor the skills required by the Board.

Royal Commission

With the Hayne Royal Commission into Misconduct in Banking, Superannuation and Financial Services Industry now well advanced, the hearings to date have highlighted the importance of creating greater transparency between financial institutions and their end customers, particularly with respect to the way in which fees are being charged.

Two key issues are worthy of comment:

Firstly, the Royal Commission has highlighted that diversified financial service providers have struggled to create a common culture and value system across disparate business units within a group. The culture of these disparate businesses often reflects, sometimes unfavourably, the competitive behaviours of industry peers within their sector, rather than the core values of the group itself.

As diversified financial institutions focus on restoring trust and rebuilding their brand, an increasingly likely outcome will be that financial institutions will narrow their service offerings to core activities and exit non-core operations.

The extensive conflicts of interest issues caused by combining product manufacturing and financial advice within the vertically integrated business model, have been acutely highlighted by the case

studies before the Royal Commission. Standing in stark contrast to such conflicted practices, Platinum maintains an independent business model and a singular focus on product manufacturing with the emphasis on delivering the best investment outcomes for retail and institutional investors.

Secondly, many financial institutions find it challenging to balance the competing interests of shareholders, staff and customers. This seems most acute where financial services providers have protections that are often the result of regulatory frameworks giving effect to public policy priorities.

Platinum, by contrast, participates in a highly competitive funds management marketplace. It regularly competes against a large pool of active global investment managers based locally and overseas, as well as passive global fund managers. Platinum's sustainable competitive edge is to consistently deliver superior investment returns over the medium- to long-term, aligned to Platinum's commitment to preserve investors' capital.

Platinum's business model is predicated on the premise that if we continue to deliver superior performance to investors on a risk adjusted basis, we will be successful. To achieve this outcome Platinum employs highly talented fund managers and strives to create an environment that attracts and retains good people who share Platinum's values and performance driven culture.

Our core belief is that if investment outperformance is delivered, the level of FUM will grow and profitability will follow, enhancing the returns to shareholders. Platinum's business model of placing superior investment performance at the forefront of everything we do has remained unchanged since its founding over 24 years ago. We believe it is this process that best aligns the interests of Platinum's shareholders, employees and clients.

The Board and its Associated Committees

The Nomination and Remuneration Committee, and the Audit, Risk and Compliance Committee have both had a busy and productive year.

The Nomination and Remuneration Committee oversaw changes to the composition of the Board and a change of Chief Executive Officer. It also closely monitored the Company's remuneration framework throughout the financial year.

The Audit, Risk and Compliance Committee oversaw many recent regulatory changes as well as provided oversight in the launch of new products.

Environmental, Social and Governance (ESG)

The Company participates in the global Carbon Disclosure Project (CDP) which enables companies, cities, states and regions to measure their environmental impact. In addition, for over 11 years, we have strived to make the Company "carbon neutral" by purchasing carbon credits (which invest in rainforests) to offset the carbon emissions made by the Company (for example our electricity usage and air travel).

As mentioned last year, Platinum incorporates environmental, social and governance (ESG) considerations into its investment process by employing a robust framework which it believes can lead to more informed and holistic decision-making and, ultimately, better investment outcomes for investors. Platinum's approach towards the incorporation of ESG factors is further explained in its Responsible Investment Policy, which is available on its website.³ I would also encourage those interested in this topic to read the Platinum Trust® Funds' Product Disclosure Statement for more information.

³ [https://www.platinum.com.au/PlatinumSite/media/About/Responsible-Investment-\(ESG\)-Policy.pdf](https://www.platinum.com.au/PlatinumSite/media/About/Responsible-Investment-(ESG)-Policy.pdf)

Conclusion

No words can do justice to the contribution that Kerr Neilson has made as the founder and Chief Executive Officer of the Platinum Group® for the last 24 years. Kerr remains an icon in the industry and has remained true to his conviction in his determination to manage money well for Platinum's investors and clients. The excellent returns generated by Kerr, Andrew and their broader team since 1994 through the various market cycles are a testament to the integrity and robustness of Platinum's investment process .

I encourage you to read Kerr's final Managing Director's letter to shareholders, as it highlights the solid investment performance of the underlying funds, key initiatives that have been undertaken, the investment outlook, and some reflections from Kerr on recent industry events.

Michael Cole
Chairman
23 August 2018

Founding Managing Director's Letter 2018

Andrew Clifford keeps reminding me how extraordinary the **world's economic system** really is. For all the unfavourable events or the media speculation about some new impending disaster, the world economy as a whole seems to blithely trundle forward with **remarkably few stops or reversals**. Consider that, in aggregate, the growth in world output in the last 118 years faltered only during the Great War, in the early 1930s, immediately after WWII, and most recently in 2009.¹ In more recent times, social transfers have acted as economic stabilisers. I think you will concur that this underlying trend through wars, high inflation, pandemics and so forth is a very different picture to that which resides in the minds of many of us. It is so, I suggest, because many of us are bombarded with media reports of doom and gloom, and we instinctively derive our assessments from the experience of working in individual companies which have faced setbacks or from being citizens of countries that have, in fact, seen their economies shrink over a specific period.

Making observations about countries or the world economy is, however, of limited value when investing in real assets. There can exist a **huge divergence** between the prices of individual stocks and the state of their host economies over long periods of time, and the prices of assets can exhibit far greater volatility than is justified by the underlying health of the companies or whole economies². In addition, two key changes have been particularly favourable for equities since about 1960. The **first great change** was the willingness of investors to **accept a lower running yield** from holding equities versus bonds, the emergence of the so-called reverse yield gap.³ This conceptual change recognised that the greater variability of outcomes derived from holding equities was warranted by the superior combined returns of dividends plus growth that equities delivered in aggregate over time. It justified a lower starting yield from owning shares relative to so-called risk-free assets like bonds offered by governments. This **process of re-rating** has continued ever since, expedited or perhaps crowned in the post-Lehman crisis period by the **unusually generous creation of money** supplied by the world's leading central banks. This central bank intervention has for some time acted as a **price control on the global cost of money**.

The **second change** has been the **shift of profit share from labour to capital**. This has been significant⁴ and may be explained in the context of the liberalisation of global markets that has encouraged a spectacular rise in global trade⁵. Amongst other changes, new supplies of labour have

¹ Based on global real GDP (2011 USD) since 1900. (Source: Maddison Project Database, version 2018. Bolt, Jutta, Robert Inklaar, Herman de Jong and Jan Luiten van Zanden (2018), "Rebasing 'Maddison': new income comparisons and the shape of long-run economic development", Maddison Project Working paper 10)

² Contrast, for example, Japan and India. Over the 15 year period from 2002 and 2017, the EPS (earnings-per-share) of Japanese companies grew 16.4% p.a. versus 8.7% by Indian companies. Yet, the Japanese stock market rose 5% p.a. (in USD) while the Indian stock market rose 15% p.a. The variance can be far more dramatic at an individual stock level. Japanese conglomerate Itochu was recently trading on an estimated current year price-to-earnings (P/E) multiple of 6.6 times, while delivering a dividend yield of 3.6% and generating a return on equity of 16.5%. By contrast, Japanese online payment company GMO Payment is on an earnings multiple of 122 times this year's earnings and has a dividend yield of 0.3%.

³ The idea of the equity risk premium meant that shares typically yielded more than bonds, which was the norm until the late 1950s when the pattern reversed. Yield on US and UK government bonds rose sharply in the 1960s-70s (driven by sky-rocketing inflation) while the dividend yields on stocks rose far more moderately and trended lower overall compared to the first half of the century.

⁴ Profit share of GDP in developed markets grew from around 44-45% in the 1970s to 48% in 2015. (Source: Morgan Stanley)

⁵ Over the same period, world trade as a percentage of GDP grew from around 26-30% in the early 1970s to more than 55% in 2015. (Source: World Bank)

been harnessed and the competitive advantage of well-managed companies has been expressed. More recently, the full flowering of the global information super-highway has seen the great tech firms swarm across national borders to create market opportunities that were unimaginable in the physical asset-heavy world of earlier times: markets that were formerly stymied by capital and regulation are seemingly instantaneously addressable and there emerge trillion dollar trans-national monsters.

Why do I write about this? Firstly, to reinforce that we are often **led by our feelings and pay too little attention to the underlying facts**⁶. Secondly, it seems so few **understand the pivotal role that share ownership** plays in growing their wealth. There seems to be only a tenuous understanding that ***companies, not governments or regulators, are the system***. In other words, one's welfare is inextricably tied to the performance of companies, whether one is an investor or not. Moreover, money will migrate to those exciting areas that are meeting expanding needs or wants, but this can result in over-excitement and mis-pricing. Choosing the right areas at the right price is hopefully what investment managers like Platinum Asset Management can deliver. How many times have you heard the observation that the stock market is nothing more than a gambling den? This is generally followed by a long lecture that recounts some experience of loss in the stock market. Closer scrutiny would mostly reveal that the loss was caused by either fear or greed. Seldom does one hear a coherent appraisal of the inherent value of the stock purchased versus the price paid.

Lastly, I write to remind shareholders that we might be at or **approaching the terminal velocity of these two great thunderous forces**. If that is the case, one needs to find sensible managers to help navigate the years ahead. As a parting observation, there is a huge and almost unprecedented dispersion in the valuations of dull but profitable companies from those immaculately fashionable, profitable and fast-growing companies.⁷ What should one do when one's instincts so favour these internet-enabled beauties versus the dull and, by comparison, unappealing alternatives? The former have rerated while the latter have fallen in absolute value to historically attractive levels. By way of illustration, one might buy a company that is not growing, on, say, a P/E of 7 times. This entity could theoretically deliver \$14 in cash flow over each of the next 10 years, a total of \$140 per share. By contrast, you might prefer a fast growing company selling on a P/E of 25 times. How fast does the latter need to grow over the next 10 years to produce the same theoretical cash flow as the first?

The figure is approximately 26% each year. There are very few companies with such a record. Looking at the past returns across the globe, this universe comprises less than 5% of the world's top 1000 listed companies.⁸

⁶ In the 50 years between 1900 and 1949, there was a de-rating of -0.7% per annum in global equities. Between 1950 and 2017, we saw a re-rating of +1.5% per annum in the valuation of shares globally. This, together with real dividend growth, gave a real return (in US\$) of +6.7% p.a. between 1950-2017, versus +3.1% p.a. between 1990-1949. (Source: Credit Suisse Research Institute)

⁷ The divergence between growth and value stocks in developed markets is at its highest level in the last twenty years except for the dotcom bubble, as measured by the differential in price-to-book (P/B) multiples, and not far off when measured by price-to-earnings (P/E) multiples. (Source: Bernstein)

⁸ Of the top 1000 global companies ranked by market capitalisation, only 5.1% have achieved net income growth for 10 years by 20-30% per annum. This record reflects the period from 1950 to 2015. (Source: Credit Suisse HOLT, as published in The Base Rate Book dated 26 September 2016.)

Investment Performance

Across our suite of funds, performance has been solid. The returns slipped somewhat in the last month of the financial year with growing concerns about trade protectionism. As you may be aware, we use cash and shorting strategies to alleviate volatility, predominantly in our International Fund, and unitholders have enjoyed a cumulative net return of approximately 83% over the last five years, and 14% for the last 12 months.⁹ As was inferred in the paragraph above, it is not difficult to follow the leaders but the question is how much one wants to invest in them. With the rise of index ETFs and mandate-driven momentum fund managers, the exciting parts of the markets are well served.

Funds Under Management (FUM) – Retention and Growth

In an investment world characterised by massive product proliferation, helped along by the present enthusiasm for ETFs and ‘passive’ investing, we understand the **importance of our brand and distribution**. The amount of choice is bewildering to all but the most enthusiastic investors. Those with a casual interest either may find it all too difficult and avoid participating in equity investment funds or alternatively, seek simple answers that can mask complexity. (As a general principle, we would note in such circumstances that an investor should try to understand each manager’s investment style and to blend these and stay the course rather than perpetually skipping from the former performance leader to the new title holder.) With this in mind, we understand the importance of a strong brand, but equally important is our need to serve the advisory industry by imparting deep product knowledge.

For investors with a greater understanding of the complexity of investing, the attraction of our brand lies not only in past performance, but in the explicit enunciation of our stock-picking approach which is reinforced by our quarterly reports and online commentaries. These publications give investors an insight into **our process and mentality** that contribute to systematic long-term successful investing. They also convey the authenticity of intent which, in a world awash with pretence, is easy to identify. Old style barking, half-truths and exaggeration are long dead.

Our **interaction with financial advisors** in Australia and New Zealand has flourished. As noted in the past, what distinguishes Platinum’s investment specialists is that these individuals are former investment analysts and can therefore speak authoritatively about our investment decisions and portfolios, rather than simply following a sales script that lacks depth and understanding.

To add further to the quality of our communication in the field, individual portfolio managers and analysts accompany the investment specialists to visit advisory firms to give additional insights of changes taking place in specific industries. This in turn empowers financial advisors to speak more authoritatively to their clients. In addition, we have an annual roadshow directed at the financial intermediaries. During the year, the team addressed approximately 1500 professional advisors covering 33 cities and towns around the country.

The **redesign of the website** has been well received. While there is some distortion from the waxing and waning of investor interest in global investing, we can discern a progressive rise in usage of the website as indicated by page views per visit, returning users and so on. ***The Journal***, which contains topical investment subjects and video presentations from our investment professionals, is proving very popular. We encourage you to recommend the site to friends who want to gain more

⁹ Source: Platinum Investment Management Limited. Returns are C Class returns to 30 June 2018, after fees and costs, pre-tax, and assume the reinvestment of distributions. Past performance is not a reliable indicator of future returns.

understanding about investing – the **Investment Fundamentals** section provides a handy starting point.

Our biannual meeting with clients took place in March. Some 1,900 direct investors attended this **roadshow** and the client feedback was very positive. Sydney and Melbourne witnessed the biggest turnouts with respective audiences of over 700 and 500.

The **UCITS funds** (Irish-domiciled) that we launched nearly three years ago are progressing well. We have spent many weeks visiting potential investors in the principal European cities and these three funds have now grown to A\$444 million. We are close to establishing a permanent representative office in London. We believe that our strong investment performance and unique attributes provide a strong base to expand this business measurably.

September 2017 saw the **launch of our two quoted managed funds (QMFs)** – abbreviated as **PIXX** and **PAXX**. These are feeder funds which, through an ASX quoted entity, channel money into the existing unlisted managed funds, Platinum International Fund and Platinum Asia Fund. Both underlying funds have long track records of 23 years and 15 years, respectively, and each has a history of substantial absolute and relative performance. Through the QMFs, investors are able to **gain exposure to the actively-managed and diversified portfolios of the underlying funds, Platinum International Fund and Platinum Asia Fund**. Moreover, the QMFs provide investors with the **convenience of buying and selling units via the ASX, obviating the lengthy application form** required for the unlisted funds. Furthermore, the QMFs provide investors with the added advantage of knowing each **fund's indicative net asset value** when placing a trade, whereas the forward-pricing method used by unlisted managed funds means that unit prices are not known when investors make an application. The **annual distributions of the QMFs also approximate to those of their underlying funds** – distributing net income and realised capital gains, rather than a *franked dividend*, as is the case for our *listed investment companies* (Platinum Capital Limited (ASX ticker: PMC) and Platinum Asia Investments Limited (ASX ticker: PAI)). The table below shows the split of our funds under management including these entities.

Funds Under Management (\$million, to 30 June 2018)

Funds	Opening Balance (1 July 2017)	Flows	Investment Performance	Distribution and Other	Closing Balance (30 June 2018)	% of total
Retail offerings						
Platinum Trust Funds (excluding funds fed from PIXX and PAXX) and Platinum Global Fund (mFund)	16,249	997	2,302	(2,621)	16,927	66%
Quoted Managed Funds PIXX and PAXX	-	341	10	(38)	313	1%
Listed Investment Companies PMC and PAI	858	-	155	(79)	934	4%
MLC Platinum Global Fund	961	(144)	153	-	970	4%
Institutional mandates						
Management Fee Mandates	2,089	(28)	360	-	2,421	9%
UCITS Platinum World Portfolios	263	132	49	-	444	2%
"Absolute" Performance Fee Mandates	474	(53)	77	-	498	2%
"Relative" Performance Fee Mandates	1,819	(211)	442	1,142	3,192	12%
TOTAL	22,713	1,034	3,548	(1,596)	25,699	100%

Source: Platinum Investment Management Limited

The 'Distribution and Other' figure is comprised of the distribution from the Platinum Trust Funds/PGF/PIXX/PAXX and the transfer of clients to the "relative" performance fee mandate.

Staff

Of the company's 98 employees, 31 are engaged in managing clients' money. The individual teams are well settled and our challenge is to balance ideas of pure value with the more exotic and higher-priced areas of markets such as information technology, microbiology and those service companies that have the appearance of perpetual growth machines. To assist our judgment, we keep developing and applying robust quantitative methods to complement detailed fundamental research.

The company's support functions continue to perform in an exemplary manner. This is evidenced through the pattern of good value claims, our IT system uptime, and the legal and compliance teams' ability to deal with our increasingly changing regulatory environment.

Costs

Staff costs account for over half of the company's outgoings. There tends to be a slight upward drift in this cost over time, which reflects small increases in staff numbers and a scaling among members of the investment team to account for growing knowledge and skill. This year, we extended the operation of the Deferred Incentive Plan to staff members whom we believe will carry the company over the next decade. Under the plan, stock is issued to participants with deferred vesting four years hence. These grants are made annually, performance permitting, to allow employees to gradually increase their ownership in the company. We match this obligation with on-market purchases. Dividend equivalent payments also accrue to participants during the vesting period. Upon vesting,

employees are free to sell their holdings or hold for up to a further five years before selling, thereby accruing deferred tax benefits until sold.

Members of the investment team were entitled to awards under the Profit Share Plan this year. As a reminder, the Profit Share Plan, is an additional pool of reward made available to members of the investment team when the weighted return of total funds under management (FUM) exceeds the relevant index by more than 1% for both the last one and three years. This is a cash payment and is capped at 5% of the company's pre-tax fee income. An employee's share in the pool may vary to accommodate new members or to reflect the relative contribution of each member through time.

Apart from staff remuneration, most costs were slightly higher than last year predominantly relating to our marketing and business development initiatives in North America and Europe. Custody and administration costs have crept up with increased FUM.

Fees

In July 2017 we lowered the management fees on the standard fee option of the Platinum Trust Funds and the Platinum Global Fund (mFund). We also took this opportunity to introduce a new **performance fee option** to the Platinum Trust Funds. This comes with a lower base fee, set at 1.1% (inclusive of GST), plus an outperformance fee that is levied at 15% on returns above those of the index. Under the standard fee option, unitholders are now charged 1.35% per annum (inclusive of GST). To date, the performance fee option has been chosen by few. Of the new flows of \$1,127,000,000 during the year, the new performance fee option accounted for only \$33,000,000. However, we feel some clients are attracted to the notion of a scalable **fee that rewards evident long-term skill**. When we announced the reduction in management fees for these funds in April 2017, it was estimated that these changes could lead to a decrease in the company's 2018 revenue by as much as \$24 million or 9% from financial year 2017. Fee revenue this year in fact grew by 5.2% from last financial year, achieving \$328.7 million. This positive outcome was a result of both strong investment performance and an increase in net inflows.

Reflections on Recent Industry Events

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has been a stunning revelation to many. One of the first lessons we teach analysts is to understand the antecedents of a company or a situation. To that extent, it would have been somewhat predictable that some bad practices would develop, but perhaps more telling is the predilection towards concentrated market positions within many segments of the Australian economy. This tends to squash innovation and real competition, usually resulting in high cost services.

We note with interest the hiving off of the wealth management and financial advisory divisions of the big banks as they try to "create a simpler, better bank"¹⁰. From our point of view, whether it is CBA's spin-off of Colonial First State Global Asset Management into a stand-alone listed company, or ANZ's sale of its pensions and investments business and dealer groups to IOOF, such moves are not necessarily optimal for customers. *Coming under new ownership but continuing with similar practices of conflicted advice and pushing in-house products is unlikely to broaden or enhance the choice for investors.*

¹⁰ ANZ ASX announcement 17 October 2017; CBA ASX announcement 25 June 2018.

Advisors face many difficulties when giving *personal advice*. To do it well requires great diligence, knowledge and the need for face-to-face contact with clients, which hinders their ability to scale their businesses. Many advisors utilise platforms for the administration of their clients' investments, but the added costs, from the assorted administrative charges to grandfathered commissions, are not always disclosed to clients in a clear and comprehensible manner.

Partly in reaction to the increased public scrutiny following the Royal Commission hearings, platform providers have started to cut their fees, some now advertising administration fees as low as 0.15%. However, according to analyst reports from Macquarie Research, the real reduction is far less dramatic and the total cost for a client account of \$200,000, having regard to these advertised fee reductions, would be in the order of 0.9% once other costs likely charged by the platform provider are tallied up. **Does this cost justify what is essentially an automated administrative service?** The convenience of a smartphone app and consolidated reporting is a form of utility, but does not ultimately contribute to the growth of one's wealth. This cost sits on top of the fund managers' fees. **Why should this administrative service be priced at a similar level to that which attempts to create wealth?**

Outlook

I handed over the running of the business to Andrew Clifford and our executive team from 1 July. I do so with great confidence in Andrew's proven ability and the fact that his support team is unusually talented, hard-working and wise. I shall remain an executive director of the company and a member of the investment team, spending time investigating investment opportunities as well as mentoring the younger members of the team. From time to time, I shall also assist in conveying the Platinum investment philosophy to new potential investors.

I would like to thank all our employees for their dedication over the years and for their forbearance of putting up with me. It has been a marvellous experience to witness their commitment to winning whether it was in the markets, or supporting clients with queries or technical difficulties dealing with settlements, applications or the most confounding of all, our IT backbone. Thank you all.

Lastly, I would like to thank clients and shareholders for their support. We have tested – and will test – you periodically, but history has shown that it has been worthwhile. Since our founding, we have generated a net amount of approximately \$27 billion for investors in our funds and mandates, that is after keeping some for the company and passing on over \$1 billion in corporate tax to the government. The team has the ability to continue to serve investors and thereby reward our shareholders, and I firmly believe that they will do so.

Kerr Neilson

Incoming Managing Director's Letter 2018

The Beginning – February 1994

Platinum was founded in 1994 on a simple and singular premise: we had an investment approach that had proven to produce good investment returns. At the core of this approach was the belief that the best returns could be found in companies which were either out-of-favour with the market, or alternatively, where there was significant change underway, be it the competitive landscape, technological developments, or government regulation. Using this as our initial filter for potential investments, we would then commit to deep fundamental research, and would buy an individual company only if it was trading at a substantial discount to its inherent value. Following this process, we would build portfolios one company at a time, based on the value we identified.

In addition to this clear view on how we would achieve good investment outcomes, the other core principle that guided our business was a strong sense of responsibility towards the clients who entrusted us with their savings. We understood that if our investments lost money, our clients would not get back those same savings again. We believed that it was more important to minimise the risk of loss to clients than to achieve the maximum return possible, even if at times this meant that our investment returns would lag behind the competition. Our responsibility to clients also required that we clearly communicate to them and their advisers where their money was invested and why.

Finally, it was clear amongst the founders that, if we were to succeed in establishing the investment business that we had envisaged, delivering good outcomes for our clients must always remain our primary goal. Many asset management businesses start with similar intentions and achieve initial success, only to give way to the imperative of gathering assets as investment performance declines. While this approach may make 'business sense', it is in fact a betrayal of those clients who have trusted the company with their savings. The limitation for the owners of the business of maintaining our focus on investing is clear. If we cannot continue to generate good returns for clients, then not only will the growth of our business be limited, but one would in fact expect it to shrink over time as a result.

These key tenets of Platinum's business, established at the very outset, provide an explanation for many of the important business decisions that have shaped the firm over the last 24 years. A consistent approach to the pricing of our services, and an avoidance of trail commissions and other rebate deals, are examples of our most basic practices that set us apart from many industry peers. While participating in these pricing negotiations and other manipulations typical of the industry would have undoubtedly helped increase funds under management, it would have been so at the detriment of existing clients. New investment strategies, such as our regional funds and sector global equity funds, were not launched at times of great demand for such products, but rather at a time when these regions or sectors were out-of-favour with investors, consistent with our investment approach. The one exception was the Platinum International Technology Fund, which was launched at the height of the tech bubble in 2000, as we saw the impending burst of that bubble. But, instead of encouraging and taking advantage of the euphoria, we included a very strong caution to investors in the offer document.

Looking Ahead

We have persisted with our founding principles over the last 24 years, and through different market cycles. Today, Platinum remains an investment led business. We will continue to employ an investment approach that has not changed and which, if well-applied, should continue to produce good outcomes for clients.

The firm's key business units – the investment team, client services and communications, the functional divisions of registry, finance, portfolio accounting, legal, compliance, human resources and technology – have each been built on solid foundations and have improved over time. There will be ongoing efforts to improve the way we work in each of these areas. The strengths of these teams and their people should provide us with the opportunity to gradually grow the business through a combination of investment returns and additional fund inflows. We will continue to seek out clients in both new and existing markets for whom our investment philosophy, focus on absolute returns, and approach to managing our business, make sense and are aligned with their own long-term goals.

Ultimately, the problem our clients face is not just how to earn a good return on their funds, but to whom they should trust to look after their savings. Over 24 years, we believe we have earned our clients' trust through a combination of good performance and consistently putting their interests first. The future of Platinum will depend on both our ability to deliver on investment returns and to maintain the trust of our clients. We remain focused on achieving the former, and we are confident that if we deliver good returns, client trust will remain strong.

Andrew Clifford

Managing Director

Platinum Asset Management Limited

ABN 13 050 064 287

Financial Report - 30 June 2018

Platinum Asset Management Limited
Corporate directory

Directors (at 23 August 2018)	Michael Cole Stephen Menzies Anne Loveridge Brigitte Smith Tim Trumper Andrew Clifford Kerr Neilson Elizabeth Norman Andrew Stannard
Shareholder liaison	Elizabeth Norman
Company secretary	Joanne Jefferies
Registered office	Level 8, 7 Macquarie Place Sydney NSW 2000 Phone 1300 726 700 (Australia only) Phone 0800 700 726 (New Zealand only) Phone +61 2 9255 7500 Fax +61 2 9254 5555
Share registrar	Computershare Investor Services Pty Ltd Level 3, 60 Carrington Street Sydney NSW 2000 Phone 1300 855 080 (Australia only) Phone +61 3 9415 4000 Fax +61 3 9473 2500
Auditor & taxation advisor	PricewaterhouseCoopers One International Towers Watermans Quay Barangaroo NSW 2000
Securities exchange listing	Platinum Asset Management Limited shares are listed on the Australian Securities Exchange (ASX code: PTM)

Platinum Asset Management Limited
Shareholder information
30 June 2018

The shareholder information set out below was applicable as at 20 August 2018.

Distribution of ordinary shares

Analysis of number of ordinary shareholders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	6,383
1,001 to 5,000	14,351
5,001 to 10,000	3,765
10,001 to 100,000	2,214
100,001 and over	72
	26,785
Holding less than a marketable parcel (less than \$500)	325

Ordinary shareholders

Twenty largest ordinary shareholders

The names of the 20 largest shareholders of the Company are listed below:

	Ordinary shares	
	Number held	% of total shares issued
J Neilson	156,037,421	26.60
K Neilson	156,037,420	26.60
HSBC Custody Nominees (Australia) Limited	40,856,268	6.96
Platinum Investment Management Limited (nominee)	29,364,201	5.01
Citicorp Nominees Pty Limited	21,316,164	3.63
JP Morgan Nominees Australia Limited	18,030,916	3.07
National Nominees Limited	7,032,373	1.20
Jilliby Pty Limited	6,500,000	1.11
J Clifford	5,000,000	0.85
Pacific Custodians Pty Limited	3,471,866	0.59
BNP Paribas Nominees Pty Limited	3,343,234	0.57
BNP Paribas Nominees Pty Limited	2,105,592	0.36
Citicorp Nominees Pty Limited	1,847,762	0.31
Xetrov Pty Limited	1,500,000	0.26
Michele Martinez	1,072,309	0.18
Navigator Australia Limited	952,965	0.16
HSBC Custody Nominees (Australia) Limited	894,881	0.15
HSBC Custody Nominees (Australia) Limited	772,264	0.13
Nulis Nominees (Australia) Limited	756,495	0.13
Bond Street Custodians Limited	500,000	0.09
	457,392,131	77.96

Unquoted ordinary shares

There are no unquoted ordinary shares, however under the Deferred Remuneration Plan, a total of 3,471,866 deferred rights have been allocated to eligible employees of Platinum, and on vesting and exercise of these rights, an equivalent number of PTM shares (that have already been acquired on-market) will be allocated to these employees. Therefore, no new shares will be issued under the Deferred Remuneration Plan (please refer to the Remuneration Report and Note 19 for further details).

Platinum Asset Management Limited
Shareholder information
30 June 2018

Substantial shareholders

The following parties have notified the Company that they have a substantial relevant interest in the ordinary shares of Platinum Asset Management Limited in accordance with section 671B of the *Corporations Act 2001*:

	Ordinary shares	
	Number held	% of total shares issued
J Neilson, K Neilson	312,074,841	53.2^
J Clifford, Moya Pty Limited, A Clifford	32,831,449	5.9^

^ based on the last substantial shareholder notice lodged.

Distribution of Annual Report to Shareholders

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

Financial Calendar

30 August 2018 - Ordinary shares trade ex-dividend

31 August 2018 - Record (books close) date for dividend

21 September 2018 - Dividend paid

These dates are indicative and may be changed.

Notice of Annual General Meeting

The details of the Annual General Meeting (AGM) of Platinum Asset Management Limited are:

10am Thursday 15 November 2018

Fort Macquarie Room

InterContinental Hotel Sydney

117 Macquarie Street

Sydney NSW 2000

Questions for the AGM

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

Platinum Asset Management Limited
Directors' Report
30 June 2018

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity', 'group' or 'Platinum') consisting of Platinum Asset Management Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

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

Michael Cole	Chairman and Non-Executive Director
Stephen Menzies	Non-Executive Director
Anne Loveridge	Non-Executive Director
Brigitte Smith	Non-Executive Director (from 31 March 2018)
Tim Trumper	Non-Executive Director (from 1 August 2018)
Andrew Clifford	Chief Executive Officer/Managing Director (from 1 July 2018)* and Chief Investment Officer
Kerr Neilson	Chief Executive Officer/Managing Director (until 1 July 2018)* and Executive Director
Elizabeth Norman	Executive Director and Director of Investor Services and Communications
Andrew Stannard	Executive Director and Chief Financial Officer

*Effective 1 July 2018, Andrew Clifford was appointed as Platinum group's new Chief Executive Officer/Managing Director. Andrew Clifford has assumed this role in addition to his role as the group's Chief Investment Officer. Kerr Neilson will continue as a full-time Executive Director of the Company.

Principal Activities

The Company is the non-operating holding company of Platinum Investment Management Limited ("PIML") and its controlled entities. Platinum Investment Management Limited, trading as Platinum Asset Management, operates a funds management business. The amount of money that we manage, so-called funds under management ("FUM") is the key variable for the business and an important determinant of our profit.

Operating and Financial Review

FUM at 30 June 2018 was \$25.7 billion and this represented an increase of 13.1% from the 30 June 2017 closing FUM of \$22.7 billion. The FUM at 30 June 2018 is after the impact of the 30 June 2018 net distribution of \$1.5 billion. Average FUM for the year also increased by 13.1% to \$26.4 billion from an average FUM of \$23.4 billion for the previous year. The increase in FUM was due to net fund inflows of \$1 billion and the strong gains made from investment performance of \$3.5 billion. Furthermore, the consolidated entity earned investment performance fees of \$21.9 million of which \$20.0 million was generated from its "absolute" performance fee mandates.

Net fund flows have been positive over the last year and it is pleasing to report that most of the Funds managed by the consolidated entity have delivered strong investment performance over the last 12 months, with some of our Funds delivering exceptional returns. For example, our global unhedged fund, Platinum Unhedged Fund delivered 18.6%¹ for the 12 months to 30 June 2018. Our flagship Fund, Platinum International Fund returned 14.2%¹ for the 12 months to 30 June 2018, proving that our tried and tested approach to managing money is working well.

In September 2017, Platinum Investment Management Limited ("PIML") successfully launched two new ASX quoted managed funds, called Platinum International Fund (Quoted Managed Hedge Fund) (ASX code: PIXX) and Platinum Asia Fund (Quoted Managed Hedge Fund) (ASX code: PAXX). PIXX and PAXX feed directly into PIML's existing flagship funds, the Platinum International Fund and the Platinum Asia Fund, respectively, thus giving investors access to the portfolio composition of these flagship funds, its portfolio managers and investment strategies.

¹ You should be aware that historical performance is not a reliable indicator of future performance. The returns for Platinum International Fund and Platinum Unhedged Fund are calculated using the Fund's Net Asset Value (NAV) unit price (ie excluding a buy/sell spread) for C Class, and represent the combined income and capital returns in the specified period. All returns are pre-tax, net of fees and costs and assume the reinvestment of dividends. The index for the Platinum International Fund and Platinum Unhedged Fund is the MSCI All Country World Net Index (\$A).

Source: Platinum Investment Management Limited (fund returns) and FactSet (MSCI returns). All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data.

We have been delighted with the level of investor support for these new funds. At 30 June 2018, total FUM in these quoted managed funds was \$312.5 million.

Our European-based UCITS funds, Platinum World Portfolios PLC, continue to perform strongly with FUM at 30 June 2018 increasing to \$444.9 million.

Out of the \$1 billion in net inflows for the 12 months to 30 June 2018, some \$473.2 million or 46% was derived from the UCITS funds and the ASX quoted managed funds.

The increase in average FUM from the previous year and the increase in performance fees resulted in revenue of \$328.7 million (2017: \$312.5 million), which represents an increase of 5.2% from the previous year. Achieving increased revenue is particularly pleasing, considering that effective from 3 July 2017, PIML reduced its total fees and charges for the standard fee option for each of the Platinum Trust Funds and the Platinum Global Fund from 1.5% per annum to 1.35% per annum. PIML reduced its fees because, since commencing business in 1994, PIML had found that the costs associated with accessing international markets had come down as a result of investment efficiencies. At the time of announcing the change (in April 2017), we anticipated that 2018 revenue could decline by as much as 9%.

Other investment income increased to \$24.6 million (2017: \$21.1 million) which was largely explained by the consolidated income derived from PIXX and PAXX of \$8.6 million, PIML's investments in Platinum Asia Investments Limited of \$7.2 million and Platinum World Portfolios Plc of \$3.8 million.

The headline expense figure increased from the previous year (up \$22.0 million to \$85.0 million), but this was primarily due to the increase in staff remuneration expenses (up \$15.0 million or 43.8% to \$49.2 million), which were primarily paid to the investment team, and rewarded the excellent 1 and 3 year relative and absolute returns for our underlying Funds and Mandates.

Taking into account the increased staff expenses of \$15.0 million and an increase in non-staff expenses², primarily related to the pursuit of growth opportunities, profit after tax for the year attributable to owners was \$189.2 million (2017: \$186.0 million) which represented an increase of 1.7%.

At 30 June 2018, basic and diluted earnings per share (EPS) increased to 32.36 cents per share (2017: 31.74 cents per share).

As part of its international distribution strategy, Platinum plans to shortly launch a range of investment vehicles targeting institutional investors in the United States and Canada. Platinum has appointed AccessAlpha Worldwide LLC to distribute these products and promote Platinum's global equity capabilities in North America. We believe that the US and Canadian institutional market should, over time, offer strong growth prospects for Platinum.

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

Our FUM is well positioned to grow over time through the increasing trend for Australian investors to increase their exposure to world stock markets, the strengthening of our relationship with the professional investor community, increased distribution and marketing activity targeting offshore clients and accessing the continuing growth of the self-managed superannuation fund (SMSF) sector.

Dividends

Since the end of the financial year, the Directors have declared a 2018 final 16 cents per share (\$93,313,125) fully-franked ordinary dividend, with a record date of 31 August 2018 and payable to shareholders on 21 September 2018.

A 2018 interim fully-franked ordinary dividend of 16 cents per share (\$93,482,311) was paid on 19 March 2018. A fully-franked ordinary dividend of 15 cents per share (\$87,757,931) was paid on 22 September 2017.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year and up to the date of this report, other than the change in fee options (in July 2017) as outlined above.

² Increased FUM related expenses (custody), increased business-development expenses as a result of website enhancement and deferral of a significant amount of the advertising spend from FY17 and increased expenses relating to the launch of PIXX, PAXX and the US/Cayman Funds.

Environmental Regulation

The consolidated entity is not subject to any significant environmental regulation under Commonwealth, State or Territory law.

Information on Directors

Michael Cole BEcon, MEcon, FFin

Independent Non-Executive Director, Chairman and member of the Audit, Risk & Compliance and Nomination & Remuneration Committees since 10 April 2007.

Mr Cole has over 40 years of experience in the investment banking and funds management industry. Mr Cole was an Executive Director/Executive Vice President at Bankers Trust Australia for over 10 years. Mr Cole is Chairman of Ironbark Capital Limited.

Stephen Menzies BEcon, LLB, LLM

Independent Non-Executive Director and member of the Audit, Risk & Compliance and Nomination & Remuneration Committees since 11 March 2015 and Chair of the Nomination & Remuneration Committee since 19 June 2017.

Mr Menzies is currently a Director of Century Australia Investments Limited and Freedom Insurance Group Limited and is the Chairman of Silicon Quantum Computing Pty Limited and is a past Chairman of the Centre for Quantum Computation & Communication Technology. Mr Menzies retired as a partner at Ashurst law firm in 2015 and until his retirement was consistently ranked as one of Australia's leading corporate lawyers. As Head of China Practice for Ashurst, Mr Menzies oversaw the Shanghai and Beijing offices of that firm. Previously, Mr Menzies was National Director of Enforcement at the Australian Securities Commission and has a long history in the funds management sector. Mr Menzies is a Director of Platinum World Portfolios Plc.

Anne Loveridge BA (Hons), FCA (Australia), GAICD

Independent Non-Executive Director and member of the Audit, Risk & Compliance Committee and Nomination & Remuneration Committees since 22 September 2016 and Chair of the Audit, Risk & Compliance Committee since 24 February 2017.

Ms Loveridge is currently a Non-Executive Director for the National Australia Bank (NAB) Group and NIB Holdings Limited. Ms Loveridge retired as a partner and deputy chairman of PricewaterhouseCoopers (PwC) in 2015. At PwC, she had over 30 years of experience in the Financial Services Assurance practice. Ms Loveridge has extensive senior management and people leadership experience, knowledge of financial and regulatory reporting and risk management.

Brigitte Smith B.Chem Eng (Hons), MBA, MALD, FAICD

Independent Non-Executive Director and member of the Audit, Risk & Compliance and Nomination & Remuneration Committees since 31 March 2018.

Ms Smith has twenty years' experience in venture capital, business strategy and fast growth company operations. Ms Smith co-founded and is the Managing Director of GBS Venture Partners Ltd (GBS) and also sits on the board of GBS's portfolio company Moximed Inc.

Prior to founding GBS, Ms Smith worked in the US and Australia in operating roles with fast growth technology based companies, and at Bain & Company as a strategic management consultant.

Tim Trumper MBA, UNE

Independent Non-Executive Director and member of the Audit, Risk & Compliance and Nomination & Remuneration Committees since 1 August 2018.

Mr Trumper is Chair of the NRMA, advisor and shareholder in Quantum, Australia's leading data and analytics company, director of the Population Health Research Network (PHRN) and holds interests in several private high growth innovative companies. He is an authority on the utilisation of data to drive innovation, and corporate strategy.

Mr Trumper is an experienced non-executive director, former CEO, and advisor for high-performance global and Australian companies. His career has spanned diverse categories including artificial intelligence and machine learning, big data, digital transformation, mobility and transport, financial services and media.

Along with fellow directors and Chairman Hon. R J Hawke, Tim helped to establish The Bestest Foundation. This charity has raised over \$4 million for disadvantaged Australian children.

Andrew Clifford BCom (Hons)

Managing Director since 1 July 2018 and Chief Investment Officer since 8 May 2013.

Mr Clifford joined Platinum as a co-founding member in 1994 in the capacity of Director of Platinum Investment Management Limited and Deputy Chief Investment Officer. In May 2013, Mr Clifford was appointed Chief Investment Officer. Effective 1 July 2018, Andrew Clifford was appointed as the Chief Executive Officer/Managing Director of the Platinum group. Previously he was a Vice President at Bankers Trust Australia covering Asian equities and managing the BT Select Market Trust - Pacific Basin Fund.

Kerr Neilson BCom, ASIP

Managing Director to 1 July 2018 and Executive Director since 12 July 1993.

Mr Neilson was the Managing Director of the Company from incorporation to 30 June 2018. Prior to Platinum, Mr Neilson was an Executive Vice President at Bankers Trust Australia. Previously he worked in both the UK and South Africa in stockbroking.

Elizabeth Norman BA, Graduate Diploma in Financial Planning

Director of Investor Services and Communications since 8 May 2013.

Ms Norman joined Platinum in February 1994 in a role of Investor Services and Communications Manager. Previously she worked at Bankers Trust Australia in product development and within the retail funds management team. Ms Norman's role as a Director of Investor Services and Communications reflects the widening of Platinum's client base and the consolidated entity's commitment to supporting retail and institutional clients with dedicated investment specialists.

Andrew Stannard BMS(Hons), Graduate Diploma in Applied Finance and Investment, CA

Director and Chief Financial Officer since 10 August 2015.

Mr Stannard joined Platinum from AllianceBernstein where he held the position of Chief Financial Officer for the Asia-Pacific region. Mr Stannard has 28 years of finance experience with expertise in audit, financial control, operations, funds management, financial services regulation and corporate governance.

Information on Company Secretary

Joanne Jefferies, BCom, LLB

Company Secretary since 17 October 2016.

Ms Jefferies is an English law qualified solicitor with more than 21 years of legal experience in the asset management and securities services sectors, in England and across Asia Pacific.

Ms Jefferies joined Platinum in October 2016 as General Counsel and Group Company Secretary, having spent the previous six years at BNP Paribas Securities Services as Head of Legal Asia Pacific, Company Secretary for all Australian subsidiaries and a member of the Asia Pacific Executive Committee. Joanne has previously held senior legal positions with Russell Investments, Morley Funds Management (Aviva Investors) and Lord Abbett, and served as the General Counsel for the UK's funds management industry association, the Investment Association.

Meetings of Directors

The number of meetings of the Company's Board of Directors ("the Board") and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

	Board		Nomination & Remuneration Committee		Audit, Risk & Compliance Committee	
	Attended	Held	Attended	Held	Attended	Held
Michael Cole	5	5	4	4	5	5
Stephen Menzies	5	5	4	4	5	5
Anne Loveridge	5	5	4	4	5	5
Brigitte Smith (since 31 March 2018)	2	2	2	2	2	2
Kerr Neilson	5	5	-	-	-	-
Andrew Clifford	4	5	-	-	-	-
Elizabeth Norman	5	5	-	-	-	-
Andrew Stannard	5	5	-	-	-	-

Indemnity and Insurance of Officers

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

Indemnity and Insurance of Auditor

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

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

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 21 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in Note 21 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

Rounding of Amounts

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

Auditor

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

Platinum Asset Management Limited
Directors' Report
30 June 2018

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

On behalf of the Directors

Michael Cole
Chairman

23 August 2018
Sydney

Andrew Clifford
Director

A Message From the Chair of the Remuneration and Nomination Committee

As shareholders know, the core purpose of the Company is to deliver exceptional investment returns to clients over the medium to long-term, consistent with a risk profile that seeks to preserve investor's capital. Platinum believes that long-term investment performance is the primary driver of fund inflows, profit growth and therefore long-term value creation for shareholders.

The remuneration policy is shaped around this core purpose. The Company can only achieve exceptional investment performance by attracting and then retaining superior investment talent, supported by a team of similarly talented client service and operational staff. The long-term success of our remuneration program can be evidenced by our enviable investment performance track record, a history of high retention rates amongst key investment and operational staff, and a history of strong shareholder returns.

Platinum's remuneration program has two key elements, being fixed remuneration (salary and superannuation) and variable incentive awards, which are made either in the form of cash or by way of a deferred equity award. To ensure the alignment of the investment team with strong client investment returns, the size of the variable remuneration pool for the investment team varies with the extent of investment out-performance generated for clients, measured over both 1 and 3 year periods.

That said, there can be times when, despite Platinum's sound stock selection process, capital markets can work against Platinum's investment style and our funds can underperform. This should not surprise shareholders as Platinum's investment approach builds portfolios from the bottom up on an index agnostic basis, so periods of underperformance to an index are almost inevitable. In these transitory periods, the Directors retain the right to make appropriate discretionary awards.

The Board is also conscious of the need to align remuneration outcomes with shareholder returns. We note the trend by some other corporates to focus on Total Shareholder Return ("TSR") as a basis for designing Key Management Personnel ("KMP") and employee remuneration structures. TSR measures share price appreciation or depreciation plus dividend reinvestment between two points in time. Whilst, over long periods of time, TSR will usually reflect the underlying performance of a company's business, it is Platinum's view that there are a number of problems associated with the use of TSR as the primary factor for determining employee remuneration. Shorter term variables, such as the macroeconomic environment or interest rates, are factors outside of the control of employees, but these can often overwhelm underlying developments in the business, and determine a company's share price. The result is that employees may be either unduly rewarded or punished by variables outside of their control. The use of TSR as an incentive tool, in our view, encourages a focus on short-term outcomes such as current year earnings, or short-term investment returns, potentially at the expense of longer-term business outcomes. Given the strong alignment between employees and shareholders that already exists at Platinum due to the majority employee shareholding, We believe that Platinum's shareholders are better served by a remuneration policy that aligns remuneration with the performance that we generate for our clients.

Your Nomination and Remuneration Committee has been active in the 2018 year and up to the date of this report. In particular, we have:

- Continued to push forward our program of Board renewal, appointing Brigitte Smith and Tim Trumper to the Board;
- Worked to ensure the smooth transition of CEO responsibilities to Mr Andrew Clifford;
- Reviewed and updated the Board skills matrix;
- Reviewed and approved various revisions to the Analyst and Profit Share plans; and
- Reviewed the impact of UCITS V on the remuneration policies of the firm.

We will continue to refine and review our remuneration arrangements to ensure that they align with the firm's core purpose and we welcome your feedback.

Stephen Menzies

Chair of Remuneration and Nomination Committee

Remuneration Report:

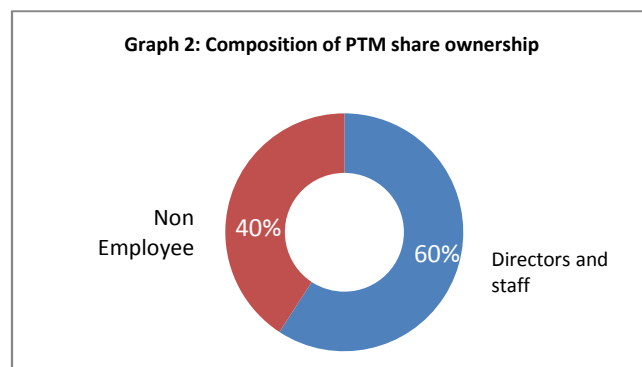
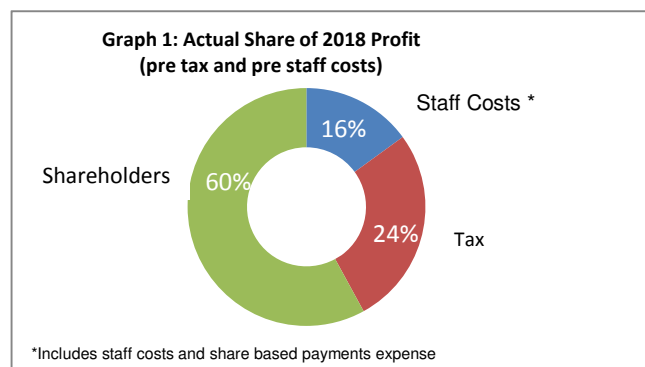
Introduction

The Company's Directors present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and consolidated entity for the year ended 30 June 2018. The Remuneration Report forms part of the Directors' Report.

The information provided in this Remuneration Report has been audited by the Company's auditor, PricewaterhouseCoopers, as required by section 308 (3C) of the *Corporations Act 2001*.

Summary of Remuneration Outcomes for 2018

- As noted in the Chairman's letter, investment team remuneration is aligned with the investment returns that are being generated for clients. It was therefore pleasing to see a significant increase in variable remuneration awards this year due to strong investment outperformance. This outperformance has already resulted in increased fund inflows and should substantially enhance the long-term value of the business to the benefit of all shareholders.
- The Investment Team Profit Share Plan (PSP) and Investment Team Plan (ITP) both generated incentive pool amounts this year. This was due to the weighted average of 1 & 3 year investment outperformance across all client portfolios totalling 3.71%. This outperformance approached each Plan's maximum cap of 6% and 5% respectively.
- The combined PSP and ITP plan pools generated cash awards of \$20.7m, with discretionary cash awards under the General Employee Plan to non-investment staff totalling a further \$5.0m. In addition, under the Deferred Remuneration Plan, deferred remuneration awards were made to the value of \$7.5m.
- In addition, following a mid-year review, the Nomination & Remuneration Committee elected to make a one-off, out of cycle, additional deferred award, totalling \$5.2m, to several key investment staff. Total deferred awards for the year were therefore \$12.7m, with sufficient shares purchased on-market, at an average price of \$6.34, to fully hedge this exposure.
- The allocation of 2018 profits attributed to both shareholders and employees is outlined in the first graph below. It shows that the compensation awarded to employees was modest relative to the returns to shareholders, with shareholders receiving a share of profits nearly four times that of staff remuneration.
- The second graph shows that alignment between employees and the owners of the business also remains very strong, with several key staff being primarily remunerated by way of dividends and capital appreciation, in exactly the same way as other shareholders;



- Mr Kerr Neilson once again waived his ability to receive a variable award in 2018 and this was ratified by the Nomination & Remuneration Committee;
- Due primarily to his significant contribution to the strong absolute and relative performance over the last 1 and 3 years, Platinum's Chief Investment Officer, Andrew Clifford, received a variable award in 2018, as did the remaining two executive Key Management Personnel ("KMP"), being the Director of Investment Services and Communications, Elizabeth Norman and the Finance Director, Andrew Stannard.

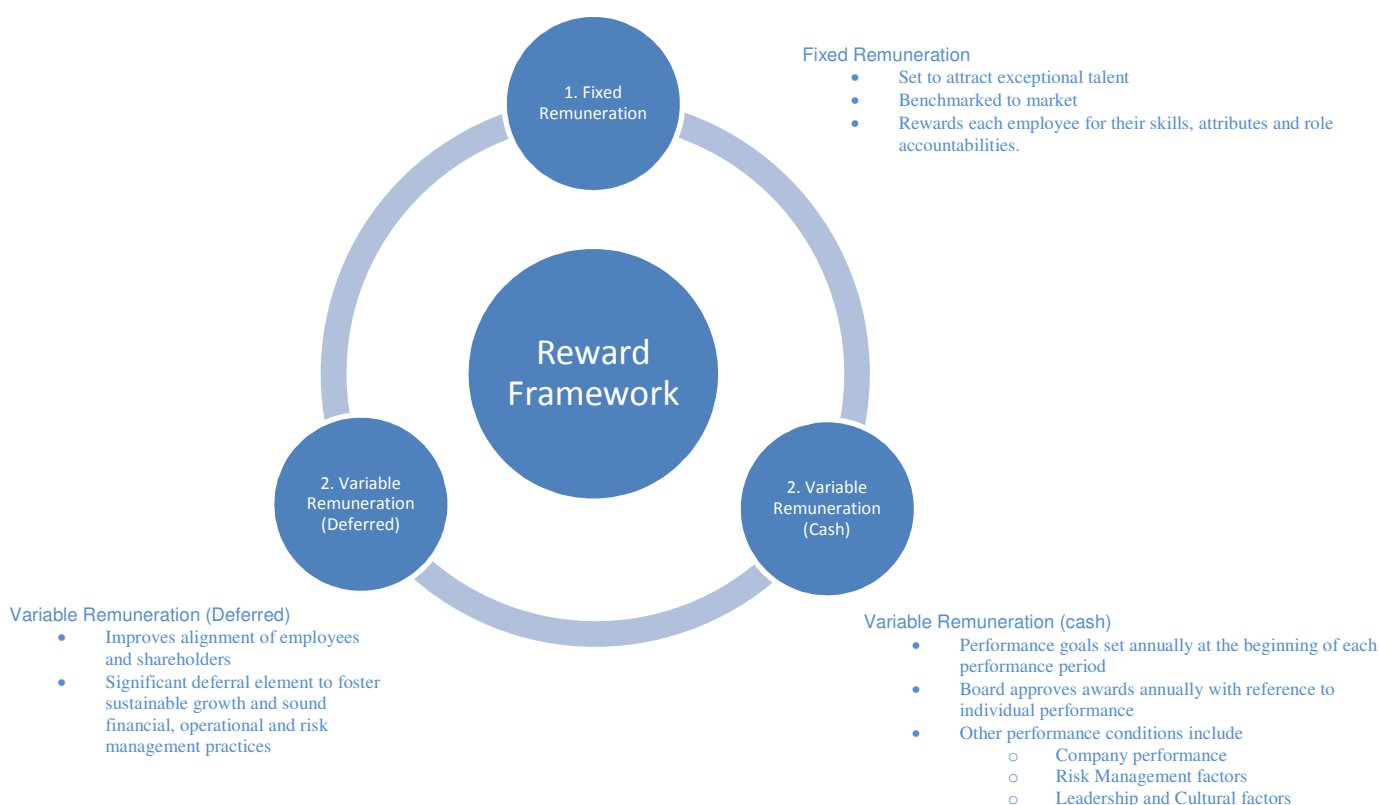
Guiding Principles of KMP and Staff Remuneration

The core purpose of the Company is to deliver exceptional investment returns to clients over the medium to long-term consistent with a risk profile that seeks to preserve investor's capital. It achieves this purpose by attracting and then retaining superior investment talent, supported by a team of similarly talented client service and operational staff.

The success of our remuneration program can be evidenced by our enviable investment performance track record, a history of high retention rates amongst key investment and operational staff, and a record of highly profitable growth.

Platinum's remuneration program has two³ key elements:

1. Fixed Remuneration: This is set at a level sufficient to attract exceptional talent. It includes salary, benefits and statutory entitlements. Fixed remuneration is benchmarked to market at least annually and reflects the scope of the individual role, and the required level of skill and experience.
2. Variable Remuneration: Each employee is assessed annually across a range of quantitative and qualitative factors as well as appropriate risk management and behavioural requirements. Variable award recommendations are generally made annually on a discretionary basis following rigorous review by management and are approved by the Nomination and Remuneration Board Committee, which comprises non-executive Directors only. Variable awards can be made in the form of cash or a deferred equity award which vests over a 4 year period. This deferral element is designed to foster sustainable growth, as well as sound financial, operational and risk management practices.



³ Platinum also has two inactive long-term Remuneration Plans, being an "Options and Performance Rights Plan" (OPRP) and an "Fund Appreciation Rights Plan" (FARP). There was no allocation under either plan in either the current or prior year.

Variable Remuneration Plans

There were three variable remuneration plans in operation during FY18, which were supported by a Deferred Remuneration Plan. Each plan is overseen by the Nomination & Remuneration Committee. The investment team has access to the Investment Team Plan and the Profit Share Plan. All other staff are covered by the General Employee Plan. Each variable remuneration award is then apportioned between a cash amount, which is generally paid in June and a deferred amount, which will vest in four years so long as the employee remains at the firm during that time.

The table below summarises the main characteristics of each plan, each of which are then discussed in more detail in the following section.

Plan Summary	Participants	Pool Formula	Cap	Hurdle	Award type
Investment Team Plan	Investment team	Weighted average 1 and 3 year performance ⁴	2x salary of investment team (caps out at 5% outperformance)	0%	Cash and/or deferred award
Profit Share Plan	Investment team	Weighted average 1 and 3 year performance	5% of adjusted net profit (caps out at 6% outperformance)	1%	
General Employee Plan	Non-investment team staff	Discretionary Award	n/a	n/a	

Investment Team Plan (applies to members of the investment team only)

Under this Plan, the annual investment team award pool is calculated as a percentage of the aggregate base salary of the investment team. The percentage level relates to the weighted average of 1 year and 3 year outperformance of all funds and mandates under management. For each 1% increase in this average outperformance, the pool is increased by 20% and is then capped at 2 times salary when average outperformance is 5% or more.

The pool is allocated across the investment team based on performance assessments that are based on both quantitative and qualitative measures. In a period where there is aggregate weighted average underperformance or where performance is uneven across different funds or fund managers, annual awards for investment team members may then be determined by an individual assessment of each employee's contribution to the investment team, during the period. Quantitative measures used to assess individual performance include the performance of any portfolios under the management of an individual and the performance of the individual investment ideas that the person has proposed. Individual investment performance is usually assessed over a 1 year and 3 year time-frame and is relative to an appropriate benchmark.

Profit Share Plan ("PSP") (applies to selected members of the investment team only)

The PSP is designed to reward key members of the team for helping in the development of Platinum's business through strong investment performance (generally relative to benchmarks). Individual members of the investment team are issued notional units in the profit share plan. The notional units have no capital value and cannot be sold or transferred to a third party. Notional units are adjusted each year based upon the assessment of each staff member's long-term contribution potential to the future development of Platinum. Each year the profit share percentage is determined based upon the weighted average 1 year and 3 year outperformance of all funds under management. For example, if the average of the 1 and 3 year rolling performance of our Funds exceeds the weighted benchmark by 2.5%, then 1.5% of the Company's management fee-based⁵ net profit before tax is made available to this pool.

There is no profit share until weighted average 1 year and 3 year outperformance is greater than 1%. The profit share figure is limited to 5% of profit before tax, though the Nomination & Remuneration Committee may elect to carry over our performance to future periods if investment returns indicate a profit share in excess of the 5% level.

General Employee Plan (applies to non-investment team staff)

Performance is assessed against pre-determined operational performance indicators relevant to each employee as determined by the Directors of the Platinum consolidated entity and ratified by the Nomination & Remuneration Committee. These performance indicators take into account the responsibilities, skill and experience of each employee and their contribution during the year.

⁴ The Board can elect to make discretionary awards in excess of the pool amount should it be required. In this case, annual awards for investment team members may then be determined by an individual assessment of each employee's contribution.

⁵ excluding investment related revenue and expenses.

Deferred Remuneration Plan (applies to all staff)

In June 2016, the Nomination & Remuneration Committee approved the implementation of the Deferred Remuneration Plan. The main objectives of the Plan are to recognise the contributions made by key employees and to retain their skills within the firm. Eligible employees are selected by the Nomination & Remuneration Committee, generally during the annual award cycle, and the proportion of each variable award that is deferred varies by employee. The number of deferred rights awarded is determined by dividing the discretionary deferred award amount by the PTM share price, using a volume weighted average price (VWAP) of the PTM shares over the seven (7) trading days prior to the award acceptance date. If an eligible employee remains employed at Platinum after the four year vesting period expires, the employee then has a further five years to exercise their deferred right. If an employee resigns from Platinum before they have met their service condition then, in most circumstances, the deferred rights will be forfeited.

In order to satisfy the obligation to the Company that arises from the granting of deferred awards, the Company intends to, over time, purchase shares on-market and then hold these shares within an Employee Share Trust. Upon vesting, eligible employees will receive one ordinary share in PTM from the Employee Share Trust in satisfaction of each of their rights. No amount is payable by any eligible employee on either award or on exercise. There is flexibility within the plan for the Committee to award cash or some other instrument rather than deferred shares, but the Committee currently envisages awarding shares only.

Eligible employees will have no voting or dividend rights until their deferred rights have been exercised and their shares have been allocated. However, the deferred rights also carry an entitlement to a dividend equivalent payment. Upon the valid exercise of a deferred right, or deemed exercise, of a deferred right, an eligible employee will be entitled to receive an amount approximately equal to the amount of dividends that would have been paid to the eligible employee had they held the share from the grant date to the date that the deferred rights are exercised.

Long-Term Remuneration Plans

Platinum has two inactive long-term Remuneration Plans, being an "Options and Performance Rights Plan" (OPRP) and an "Fund Appreciation Rights Plan" (FARP). There was no allocation under either plan in either the current or prior year.

Key Management Personnel ("KMP")

For the purposes of this report, KMP of the consolidated entity in office at any time during the financial year were:

Name	Position
Michael Cole	Chairman and Non-Executive Director
Stephen Menzies	Non-Executive Director
Anne Loveridge	Non-Executive Director
Brigitte Smith	Non-Executive Director (from 31 March 2018)
Kerr Neilson	Managing Director
Andrew Clifford	Executive Director and Chief Investment Officer (CIO)
Elizabeth Norman	Executive Director and Director of Investor Services and Communications
Andrew Stannard	Executive (Finance) Director

In addition, the Company recently announced the appointment of Mr Tim Trumper to the Board, as a Non-Executive Director, with effect from 1 August 2018.

There were no other employees that held a KMP position within the Company or consolidated entity.

Managing Director and other KMP Remuneration

Managing Director Remuneration

Kerr Neilson continued to waive his ability to receive variable compensation. This has been ratified by the Nomination & Remuneration Committee.

With effect from 1 July 2018, Mr Andrew Clifford assumed the role of CEO in addition to his existing responsibilities as Chief Investment Officer. As a consequence of this change, Mr Clifford will, from 1 July 2018, become eligible for discretionary awards under the CEO Plan (subject to a A\$1 million cap), subject to meeting KPIs as set by the Board, in addition to any entitlement under the pre-existing plans.

Other KMP Remuneration

Andrew Clifford, Platinum's Chief Investment Officer and Co-Manager of Platinum International Fund, received a variable award that reflected both his significant contribution to the strong absolute and relative investment performance achieved for Platinum's clients as well as his leadership and development of the investment team.

The variable compensation paid to Elizabeth Norman reflected her role as Director of Investor Services and Communications and her leadership and involvement in the development of several initiatives during the year, including the launch of a range of new offshore funds in the Cayman Islands (to support US business initiatives), ongoing work associated with our European business operations, the successful growth of the new Quoted Managed Funds, the deployment of a new website and a substantial expansion of our communications with both advisors and investors.

The variable compensation paid to Andrew Stannard reflected the leadership and strategic input that he provided into various business development opportunities for the business. This included the development of the ASX Quoted Managed Funds, the creation of a new range of Cayman registered funds and working on the operational aspects of our European business. In addition, he led various capital management activities undertaken by the firm, including the partial disposal of the consolidated entity's interest in Platinum Asia Investments Limited.

Remuneration of Executive Key Management Personnel (KMP)

The table below presents the remuneration provided by the consolidated entity to executive KMP of the consolidated entity, in accordance with accounting standards.

	Cash Salary \$	Other (⁽¹⁾) \$	Superannuation \$	Variable Remuneration (cash) (⁽²⁾) \$	Variable Remuneration (deferred) (⁽³⁾)	Total \$	Variable remuneration as a % of total remuneration(⁽⁴⁾)
2018							
Kerr Neilson (⁽⁵⁾)	450,000	(5,384)	20,049	-	-	464,665	0%
Andrew Clifford	450,000	4,428	20,049	2,632,000	174,000	3,280,477	86%
Elizabeth Norman	425,000	(3,364)	20,049	1,300,000	163,645	1,905,330	77%
Andrew Stannard	425,000	(4,151)	20,049	450,000	42,950	933,848	53%
	1,750,000	(8,471)	80,196	4,382,000	380,595	6,584,320	72%
2017							
Kerr Neilson (⁽⁵⁾)	450,000	(18,089)	19,616	-	-	451,527	0%
Andrew Clifford	425,000	(13,206)	19,616	-	-	431,410	0%
Elizabeth Norman	400,000	9,250	19,616	1,200,000	104,400	1,733,266	75%
Andrew Stannard	400,000	11,009	19,616	400,000	17,400	848,025	49%
	1,675,000	(11,036)	78,464	1,600,000	121,800	3,464,228	50%

(1) "other" represents the increase/(decrease) in the accounting provision for annual and long service leave. These amounts were not received by the Executive Directors and represent provisions made in the consolidated entity's statement of financial position.

(2) see the "Variable Remuneration Plans" section above for further details. The cash variable remuneration attributable to Andrew Clifford is comprised of awards under the Analyst Plan and Profit Share Plans of \$1,000,000 and \$1,632,000 respectively. The cash awards made to Elizabeth Norman and Andrew Stannard were made under the General Employee Plan.

(3) The accounting fair value attributed to each deferred award is spread over the five year service period. The accounting valuation of \$174,000 attributable to Andrew Clifford represents the current year portion of the 2018 deferred award of \$1,000,000. The accounting valuation of \$163,645 attributable to Elizabeth Norman represents the current year portion of the 2018 deferred award of \$350,000, the 2017 award of \$300,000 and the 2016 award of \$300,000. The accounting valuation of \$42,950 attributable to Andrew Stannard represents the current year portion of the 2018 deferred award of \$150,000 and the 2017 award of \$100,000.

(4) Fixed remuneration refers to salary, superannuation and provisions or payments made for annual and long service leave. Variable remuneration refers to both cash and deferred components.

(5) The Managing Director, Kerr Neilson, waived his right to receive variable compensation and this has been ratified by the Nomination & Remuneration Committee.

Platinum Asset Management Limited
Remuneration Report
30 June 2018

The table below presents supplementary disclosure of the remuneration provided by the consolidated entity to KMP's of the consolidated entity, based of amounts awarded to the individual during the year.

	Cash Salary \$	Superannuation \$	Variable Remuneration (cash) (1) \$	Variable Remuneration (deferred) (2)	Total \$	Variable remuneration as a % of total remuneration ⁽³⁾
2018						
Kerr Neilson ⁽⁴⁾	450,000	20,049	-	-	470,049	0%
Andrew Clifford	450,000	20,049	2,632,000	1,000,000	4,102,049	89%
Elizabeth Norman	425,000	20,049	1,300,000	350,000	2,095,049	79%
Andrew Stannard	425,000	20,049	450,000	150,000	1,045,049	57%
	1,750,000	80,196	4,382,000	1,500,000	7,712,196	76%
2017						
Kerr Neilson ⁽⁴⁾	450,000	19,616	-	-	469,616	0%
Andrew Clifford	425,000	19,616	-	-	444,616	0%
Elizabeth Norman	400,000	19,616	1,200,000	300,000	1,919,616	78%
Andrew Stannard	400,000	19,616	400,000	100,000	919,616	54%
	1,675,000	78,464	1,600,000	400,000	3,753,464	53%

(1) see the "Variable Remuneration Plans" section above for further details. The "variable remuneration (cash)" attributable to Andrew Clifford is comprised of awards under the Analyst Plan and Profit Share Plans of \$1,000,000 and \$1,632,000 respectively. The cash awards made to Elizabeth Norman and Andrew Stannard were made under the General Employee Plan.

(2) The "variable remuneration (deferred)" amount noted above reflects the award amounts attributed to each individual in the current financial year.

(3) Fixed remuneration refers to salary and superannuation. Variable remuneration refers to both cash and deferred components.

(4) The Managing Director, Kerr Neilson, waived his right to receive variable compensation and this has been ratified by the Nomination & Remuneration Committee.

Remuneration of Non-Executive Directors

Remuneration Policy

The Company's remuneration policy for Non-Executive Directors is designed to ensure that the Company can attract and retain suitably-qualified and experienced directors.

It is the policy of the Board to remunerate at market rates. Non-Executive Directors received a fixed fee and mandatory superannuation payments. Non-Executive Directors do not receive variable compensation and are not eligible to participate in any variable remuneration plans. The Executive Directors examine the base pay of the Non-Executive Directors annually and may utilise the services of an external advisor to assist with this.

The Executive Directors determine the remuneration of the Non-Executive Directors within the maximum approved shareholder limit. The aggregate amount of remuneration that can be paid to the Non-Executive Directors, which was approved by shareholders at a general meeting in April 2007, is \$2 million per annum (including superannuation).

No other retirement benefits (other than mandatory superannuation) are provided to the Non-Executive Directors. There are no termination payments payable on the cessation of office and any Director may retire or resign from the Board, or be removed by a resolution of shareholders. The Constitution of the Company specifies that any change to the maximum amount of remuneration that can be paid to the Non-Executive Directors requires the approval by shareholders.

Remuneration Structure

Below is a summary of changes within each of the Board's sub-committees over the last year.

Name	Audit, Risk & Compliance Committee	Nomination & Remuneration Committee
Michael Cole	Member for the full financial year.	Member for the full financial year.
Anne Loveridge	Member and Chair for the full financial year.	Member for the full financial year.
Stephen Menzies	Member for the full financial year.	Member and Chair for the full financial year.
Brigitte Smith	Member since 31 March 2018.	Member since 31 March 2018.

Platinum Asset Management Limited
Remuneration Report
30 June 2018

The following table displays the current Non-Executive Directors and their roles at 30 June 2018:

Non-Executive Director	Michael Cole	Anne Loveridge	Stephen Menzies	Brigitte Smith
Board	Chair	Member	Member	Member
Audit, Risk & Compliance Committee	Member	Chair	Member	Member
Nomination & Remuneration Committee	Member	Member	Chair	Member

The table below shows how the remuneration is allocated reflecting their roles at 30 June 2018.

Non-Executive Director	Michael Cole	Anne Loveridge	Stephen Menzies	Brigitte Smith
Board	\$170,000	\$130,000	\$130,000	\$130,000
Audit, Risk & Compliance Committee	\$15,000	\$30,000	\$15,000	\$15,000
Nomination & Remuneration Committee	\$15,000	\$15,000	\$30,000	\$15,000
Total	\$200,000	\$175,000	\$175,000	\$160,000

Remuneration of Non-Executive Directors

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

	Cash Salary \$	Superannuation \$	Variable Remuneration (Cash) \$	Variable Remuneration (Deferred) \$	Total \$
2018					
Michael Cole	200,000	19,000	-	-	219,000
Stephen Menzies	175,000	16,625	-	-	191,625
Anne Loveridge	175,000	16,625	-	-	191,625
Brigitte Smith (from 31 March 2018)	40,000	3,800	-	-	43,800
	590,000	56,050	-	-	646,050
2017					
Michael Cole	200,000	19,000	-	-	219,000
Stephen Menzies	160,519	15,249	-	-	175,768
Anne Loveridge (from 22 September 2016)	129,308	12,284	-	-	141,592
Margaret Towers (until 22 September 2016)	43,750	4,156	-	-	47,906
Bruce Coleman (until 19 June 2017)	175,597	16,678	-	-	192,275
	709,174	67,367	-	-	776,541

Stephen Menzies is Platinum Investment Management Limited's (PIMLs) nominee on the Board of the offshore UCITS fund, Platinum World Portfolios Plc (PWP) and payments are made directly by PWP. Amounts paid in the current year were €22,032 (equivalent to A\$34,257) (2017: €20,000 (equivalent to A\$28,908)).

Managing Director and other Senior Executive employment agreements

The key aspects of the KMP contracts are outlined below:

- Remuneration and other terms of employment for Non-Executive Directors are formalised in letters of appointment.
- All contracts (both Executive and Non-Executive) include the components of remuneration that are to be paid to KMP and provide for annual review, but do not prescribe how remuneration levels are to be modified from year to year.
- The tenure of all Directors, except for the founder, Mr Kerr Neilson, is subject to approval by shareholders at every third AGM or other general meeting convened for the purposes of election of Directors.
- In the event of termination, all KMP are entitled to receive their statutory leave entitlements and superannuation benefits. In relation to variable remuneration plans, upon termination, where an Executive resigns, variable remuneration is only paid if the Executive is employed at the date of payment. The Board retains discretion to still make variable remuneration payments in certain exceptional circumstances, such as bona-fide retirement.
- All Executive Directors can terminate their appointment by providing three months' notice.
- Non-Executive Directors may resign by written notice to the Chairman and where circumstances permit, it is desirable that reasonable notice of an intention to resign is given to assist the Board in succession planning.

Link between performance and KMP remuneration paid by the consolidated entity

Total aggregate variable remuneration paid represents variable remuneration awards and is predominantly based on the investment performance generated for clients. The amount paid in 2018 for aggregate variable remuneration was higher than the preceding four years, primarily on account of the strong investment performance generated for clients over the 1 and 3 year period and the associated allocation under the Profit Share Plan (PSP).

	2018	2017	2016	2015	2014
Revenue (\$'000)	353,290	333,549	344,658	360,422	319,796
Expenses (\$'000)	84,966	62,971	62,464	58,872	58,751
Operating profit after tax (\$'000)	191,594	192,647	199,870	213,499	189,867
Basic earnings per share (cents per share)	32.36	31.74	34.24	36.66	32.79
Total dividends (cents per share)	32	30	32	47	34
Total aggregate fixed remuneration paid (\$) ⁽¹⁾	2,510,503	2,558,913	2,518,991	2,362,901	2,346,251
Total aggregate variable remuneration paid (\$)	4,762,595	1,721,800	1,452,200	1,125,000	2,554,650

⁽¹⁾ Total aggregate fixed remuneration paid represents salaries and superannuation (and includes the Director's Fees disclosed and paid to Stephen Menzies for his Directorship of the UCITS fund).

Interests of Non-Executive and Executive Directors in shares

The relevant interest in ordinary shares of the Company that each Director held at balance date was:

	Opening balance	Additions	Disposals	Closing balance
Michael Cole	200,000	40,000	-	240,000
Stephen Menzies	30,000	10,000	-	40,000
Anne Loveridge	6,000	16,000	-	22,000
Brigitte Smith	-	41,666	-	41,666
Kerr Neilson	312,074,841	-	-	312,074,841
Andrew Clifford ⁽¹⁾	32,831,449	-	-	32,831,449
Elizabeth Norman ⁽²⁾	766,748	-	-	766,748
Andrew Stannard ⁽³⁾	-	-	-	-

⁽¹⁾ Andrew Clifford also has contingent rights to receive up to 165,563 shares pursuant to awards made under the Company's deferred remuneration plan.

⁽²⁾ Elizabeth Norman also has contingent rights to receive up to 171,227 shares pursuant to awards made under the Company's deferred remuneration plan.

⁽³⁾ Andrew Stannard also has contingent rights to receive up to 46,387 shares pursuant to awards made under the Company's deferred remuneration plan.

Directors' interests in contracts

The Directors received remuneration that is ultimately derived from net income arising from Platinum Investment Management Limited's investment management contracts.

Platinum Asset Management Limited
Remuneration Report
30 June 2018

Other related party payments involving KMP

In the current year, the consolidated entity paid \$50,000 (2017: \$200,000) to OneVue Services Pty Limited for the provision of services associated with the build, customisation and enhancement of the Platinum web-site. OneVue is a related entity of the Chairman of Platinum Asset Management Limited, Mr Michael Cole.

Shareholders' Approval of the 2017 (prior year) Remuneration Report

A 25% or higher "no" vote on the Remuneration Report at an AGM triggers a reporting obligation on a listed company to explain in its next Annual Report how concerns are being addressed. At the last AGM, the Company's Remuneration Report was carried on a poll and received a vote in favour of 96.85%.



Auditor's Independence Declaration

As lead auditor for the audit of Platinum Asset Management Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, the only contraventions of

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit;

are as set out below.

A partner in the lead audit engagement office held an immaterial investment for a very short period in one of the entities that Platinum Investment Management Limited controls, Platinum Asia Fund (Quoted Managed Hedge Fund). The partner did not provide any services to Platinum Investment Management Limited, the responsible entity, or the fund. The investment was immediately disposed when the issue was identified.

I do not believe this matter has impacted the objectivity of PricewaterhouseCoopers in relation to the audit.

This matter was identified as part of our on-going quality control system. All reasonable steps were undertaken to ensure that this matter was resolved as soon as possible. I report that this matter has been resolved, and in doing so do not believe that this matter has impacted my objectivity and impartiality for the purpose of this audit.

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

R Balding
Partner
PricewaterhouseCoopers

Sydney
23 August 2018

PricewaterhouseCoopers, ABN 52 780 433 757

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General information

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

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 23 August 2018. The Directors have the power to amend and reissue the financial statements.

Platinum Asset Management Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	Consolidated 2018 \$'000	2017 \$'000
Revenue			
Management fees		306,803	296,391
Performance fees		21,878	1,626
Administration fees		-	14,451
		<u>328,681</u>	<u>312,468</u>
Other income			
Interest		3,744	4,341
Distributions and dividends	5	23,272	11
Gains on equity investments in associates	2,5	9,211	9,736
(Losses)/gains on financial assets at fair value through profit or loss	5	(12,954)	6,779
Foreign exchange gains on overseas bank accounts		1,296	149
Gains on forward currency contracts	5	40	65
Total revenue and other income		<u>353,290</u>	<u>333,549</u>
Expenses			
Staff		49,231	34,242
Custody and unit registry		13,348	11,992
Business development		7,429	4,080
Share-based payments	19	3,558	1,449
Legal, compliance and other professional		2,813	2,321
Research		2,214	2,032
Technology		1,995	1,675
Rent and other occupancy		1,661	1,862
Mail house, periodic reporting and share registry		990	1,321
Depreciation	10	724	895
Insurance		460	468
Audit fee	21	444	425
Other		99	209
Total expenses		<u>84,966</u>	<u>62,971</u>
Profit before income tax expense		268,324	270,578
Income tax expense	6(a)	<u>76,730</u>	<u>77,931</u>
Profit after income tax expense for the year		191,594	192,647
Other comprehensive income			
Exchange rate translation impact of foreign subsidiaries	14	<u>7</u>	<u>406</u>
Other comprehensive income for the year, net of tax		<u>7</u>	<u>406</u>
Total comprehensive income for the year		<u>191,601</u>	<u>193,053</u>
Profit after income tax expense for the year is attributable to:			
Owners of Platinum Asset Management Limited		189,221	186,026
Non-controlling interests		<u>2,373</u>	<u>6,621</u>
		<u>191,594</u>	<u>192,647</u>
Basic earnings per share			
	22	Cents	Cents
Basic earnings per share	22	32.36	31.74
Diluted earnings per share	22	32.36	31.74

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

Platinum Asset Management Limited
Consolidated statement of financial position
As at 30 June 2018

	Note	Consolidated 2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents		164,337	154,263
Term deposits		27,876	74,876
Trade and other receivables	9	52,557	30,199
Income tax receivable		3,333	-
Total current assets		<u>248,103</u>	<u>259,338</u>
Non-current assets			
Equity investments in associates	2	95,920	91,692
Financial assets at fair value through profit or loss	8	98,796	107
Fixed assets	10	2,986	2,829
Total non-current assets		<u>197,702</u>	<u>94,628</u>
Total assets		<u>445,805</u>	<u>353,966</u>
Liabilities			
Current liabilities			
Trade and other payables	11	24,082	6,255
Employee benefits	12	3,249	3,261
Income tax payable		-	7,866
Total current liabilities		<u>27,331</u>	<u>17,382</u>
Non-current liabilities			
Provisions	12	1,145	461
Net deferred tax liabilities	6(b)	6,214	1,049
Total non-current liabilities		<u>7,359</u>	<u>1,510</u>
Total liabilities		<u>34,690</u>	<u>18,892</u>
Net assets		<u>411,115</u>	<u>335,074</u>
Equity			
Issued capital	13	731,245	742,933
Reserves	14	(582,006)	(585,818)
Retained profits	15	185,940	177,959
Total equity attributable to the owners of Platinum Asset Management Limited		<u>335,179</u>	<u>335,074</u>
Total equity attributable to non-controlling interests:			
Non-controlling interests	4	<u>75,936</u>	<u>-</u>
Total equity		<u>411,115</u>	<u>335,074</u>

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

Platinum Asset Management Limited
Consolidated statement of changes in equity
For the year ended 30 June 2018

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2016	747,717	(587,764)	175,522	28,736	364,211
Profit after income tax expense for the year	-	-	186,026	6,621	192,647
<i>Other comprehensive income</i>					
Exchange rate translation impact of foreign subsidiaries (Note 14)	-	(595)	-	-	(595)
Deconsolidation of Platinum World Portfolios Plc. (Note 14)	-	1,001	-	-	1,001
Total comprehensive income for the year	-	406	186,026	6,621	193,053
<i>Transactions with owners in the capacity as owners</i>					
Treasury shares acquired (Note 13)	(4,784)	-	-	-	(4,784)
Share-based payments reserve (Note 14)	-	1,540	-	-	1,540
Dividends paid (Note 16)	-	-	(181,687)	-	(181,687)
Decrease in retained earnings on deconsolidation of Platinum World Portfolios Plc. (Note 4)	-	-	(1,902)	(5,604)	(7,506)
Decrease in equity on deconsolidation (Note 4)	-	-	-	(29,753)	(29,753)
Balance at 30 June 2017	742,933	(585,818)	177,959	-	335,074

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2017	742,933	(585,818)	177,959	-	335,074
Profit after income tax expense for the year	-	-	189,221	2,373	191,594
Other comprehensive income	-	7	-	-	7
Total comprehensive income for the year	-	7	189,221	2,373	191,601
<i>Transactions with owners in the capacity as owners</i>					
Treasury shares acquired (Note 13)	(11,688)	-	-	-	(11,688)
Share-based payments reserve (Note 14)	-	3,805	-	-	3,805
Dividends/Distributions paid (Note 16 and Note 4)	-	-	(181,240)	(16,845)	(198,085)
Decrease in retained earnings on deconsolidation of PIXX (Note 4)	-	-	-	(1,357)	(1,357)
Transactions with non-controlling interests (Note 4)	-	-	-	91,765	91,765
Balance at 30 June 2018	731,245	(582,006)	185,940	75,936	411,115

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

Platinum Asset Management Limited
Consolidated statement of cash flows
For the year ended 30 June 2018

		Consolidated	
	Note	2018	2017
		\$'000	\$'000
Cash flows from operating activities			
Receipts from operating activities		328,304	311,656
Payments for operating activities		(91,242)	(65,584)
Income taxes paid		(82,516)	(80,686)
Net cash from operating activities	7	154,546	165,386
Cash flows from investing activities			
Interest received		3,869	4,666
Purchase of term deposits		(518,250)	(494,394)
Proceeds on maturity of term deposits		565,394	558,036
Receipts from sale of financial assets		36,695	37,488
Payments for purchases of financial assets and investment in associates		(52,949)	(91,356)
Purchase of units held directly by PIXX (whilst consolidated) and PAXX		(64,673)	-
Payments for purchases of fixed assets	10	(881)	(1,097)
Dividends and distributions received		1,700	488
Less cash released on deconsolidation		-	(36,152)
Net cash (used in) investing activities		(29,095)	(22,321)
Cash flows from financing activities			
Proceeds from units issued (net applications into PIXX (whilst consolidated) and PAXX) and other non-controlling interests		64,673	73,758
Dividends paid		(181,247)	(181,592)
Net cash (used in) financing activities		(116,574)	(107,834)
(Decrease)/increase in cash and cash equivalents		8,877	35,231
Cash and cash equivalents at the beginning of the financial year		154,263	119,079
Effects of exchange rate changes on cash and cash equivalents		1,197	(47)
Cash and cash equivalents at the end of the financial year		164,337	154,263

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

Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

Basis of Preparation

The consolidated financial statements are presented in Australian Dollars, which is the consolidated entity's functional and presentation currency, with all values rounded to the nearest thousand dollars ('\$000), in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise stated. The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of financial assets and liabilities at fair value through profit or loss.

Platinum Investment Management Limited ("PIML") has seeded or invested in many of the products it offers to investors and this has impacted on the accounting treatment adopted in the consolidated financial statements as follows:

Entity	PIML ownership interest at 30 June 2018	Accounting treatment adopted in these accounts
Platinum Trust Fund investments	Interest is less than 1% in each Fund.	Fair value accounting applied (see Note 8).
Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX")	19.9%	Subsidiary. Consolidation accounting applied (see Note 1). [^]
Platinum World Portfolios ("PWP")	13.7%	Investment in associate. Equity accounting applied (see Note 2).*
Platinum Asia Investments Limited ("PAI")	8.3%	Investment in associate. Equity accounting applied (see Note 2).*

[^]PIML has been assessed as exerting control over PAXX, predominantly on the basis of its ownership interest in PAXX, and as a result, the consolidated statement of profit or loss and other comprehensive income includes PAXX's investment income and expenses for the period from 14 September 2017 (launch date) to 30 June 2018 and the consolidated statement of financial position includes PAXX's assets, liabilities and equity as at 30 June 2018. A breakdown of the external (non-PIML/non-controlling) investment in PAXX is disclosed in Note 4. Note 4 also shows the consolidated statement of financial position excluding the impact of the PAXX consolidation.

In September 2017, PIML seeded and exerted control over Platinum International Fund (Quoted Managed Hedge Fund) (ASX code: PIXX). As a result of encouraging net fund inflows, during the year, PIML fully disposed of its investment in PIXX and has no holding in PIXX as at 30 June 2018. The consolidated statement of profit and loss and other comprehensive income includes PIXX's investment income and expenses for the period that PIML exerted control over PIXX, which was dependent on PIML's ownership interest in PIXX.

*At 30 June 2018, PIML (and the consolidated entity) was assessed as having significant influence over Platinum Asia Investments Limited ("PAI") and Platinum World Portfolios Plc ("PWP") (Refer to Note 2 for further details).

As a direct result of the different accounting treatment adopted in these consolidated accounts (as presented in the table above), management has taken the opportunity to re-order the notes to the financial statements this year. Management has presented the notes in three parts:

PART A – Notes 1 to 4: Accounting treatment of entities that form part of the Platinum consolidated group

PART B – Notes 5 to 22: Operations – Notes that explain the operations of the consolidated entity

PART C – Notes 23 to 27: Miscellaneous Notes that are required by the accounting standards

Significant accounting policies

The principal accounting policies have been included in the relevant notes to which the policy relates and consistently applied to all financial years presented in these consolidated financial statements.

Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements require management to make judgements, estimates and assumptions. The areas where assumptions and estimates are significant to the consolidated financial statements are outlined after the relevant accounting policy in the relevant notes. The impact of the treatment of the products that PIML has seeded or invested in, is the most critical accounting judgement, estimate or assumption within these consolidated financial statements.

PART A – Notes 1 to 4

Accounting treatment of entities that form part of the Platinum consolidated group

Notes 1 to 4 focus on the accounting treatment adopted in these accounts and contains key information relating to the parent entity, subsidiaries, controlled entities and associates.

Note 1 Subsidiaries and controlled entities

At 30 June 2018 and 30 June 2017, the Company's subsidiaries and the ownership interests were as follows.

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018	2017
		%	%
McRae Pty Limited	Australia	100.0	100.0
Platinum Asset Pty Limited	Australia	100.0	100.0
Platinum Investment Management Limited	Australia	100.0	100.0
Platinum Employee Share Trust ^	Australia	100.0	100.0
Platinum Investment Management Australia (PIMA) Corp.	United States	100.0	100.0
Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX")*	Australia	19.9	n/a
Platinum GP Pty Limited**	Australia	100.0	n/a

^Platinum Employee Share Trust holds PTM shares on behalf of employees selected to participate in the Deferred Remuneration Plan (see Note 19 for further details).

*During the year, the consolidated entity launched and seeded both PIXX and PAXX and as a result of encouraging net fund inflows in PIXX, the consolidated entity fully disposed of its investment in PIXX by 29 January 2018. At 30 June 2018, the consolidated entity's interest in PAXX was 19.9%.

** On 7 February 2018, the Company registered Platinum GP Pty Limited associated with the launch of the US/Cayman Funds. The consolidated entity contributed \$1 as capital in order to register and incorporate the entity.

ACCOUNTING POLICY

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Platinum Asset Management Limited ("Company" or "parent entity") as at 30 June 2018 and the results of all subsidiaries for the financial year. Platinum Asset Management Limited and its subsidiaries together are referred to in these consolidated financial statements as the 'consolidated entity' or 'group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, all intercompany transactions, balances and unrealised gains arising within the consolidated entity are eliminated in full.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

Note 1 Subsidiaries and controlled entities (continued)

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each financial position presented are translated at the balance date;
- income and expenses included in the consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income in the foreign currency translation reserve.

Critical accounting judgements, estimates and assumptions

Assessment of control: At 30 June 2018, the consolidated entity was assessed as having control over Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX"), primarily on the basis of its ownership interest at 30 June 2018 of 19.9% and because PIML acts as the Investment Manager of PAXX.

Note 2. Equity investments in associates

At 30 June 2018, the consolidated entity's investment(s) in Platinum Asia Investments Limited ("PAI") and Platinum World Portfolios Plc ("PWP") represent interests in associates which are accounted for using the equity method of accounting. Information relating to this is shown below:

a. Interests in associates

Entity	Equity interest %		Fair Value \$'000		Carrying amount \$'000		Reason for assessment of significant influence
	2018	2017	2018	2017	2018	2017	
PAI	8.3	13.9	37,800	50,750	34,972	53,612	Level of ownership interest was 8.3% at 30 June 2018; PIML acts as Investment Manager (IM) in accordance with the Investment Management Agreement; PIML provides performance and exposure reports to the PAI Board.
PWP	13.7	14.5	63,409	39,468	60,948	38,080	Level of ownership interest was 13.7% at 30 June 2018; PIML acts as Investment Manager (IM) in accordance with the Investment Management Agreement; the Company provides performance and exposure reports to the PWP Board and Stephen Menzies is a Director of PWP and a Director of Platinum Asset Management Limited.
			101,209	90,218	95,920	91,692	

PIML disposed of 20 million (or 40% of its) shares in PAI during the year (on 14 December 2017) and that is the reason why the fair value and carrying amount have both decreased. PIML partly disposed of its holding in order to invest in other vehicles, such as PWP.

The fair value of PAI reflects the 30 million shares held multiplied by the PAI closing share price at 30 June 2018 of \$1.26 (2017: \$1.015).

The fair value of PWP reflects the shares held in the sub-funds multiplied by their respective closing unit prices at 30 June 2018. During the year, PIML purchased units to the value of \$19,149,000 in the Japan sub-fund of PWP.

The carrying value reflects the consolidated entity's share of each associate's net assets (see Note 2b for further details).

Note 2. Equity investments in associates (continued)

b. Share of associates' statement of financial position

	Platinum Asia Investments Limited \$'000	Group's share of associate \$'000	Platinum World Portfolios \$'000	Group's share of associate \$'000
30 June 2018				
Total assets	432,464	36,038	446,975	61,235
Total liabilities	12,788	1,066	2,098	287
Net assets	<u>419,676</u>	<u>34,972</u>	<u>444,877</u>	<u>60,948</u>

Total group's share of associates' statement of financial position (share of PAI's net assets of \$34,972,000 and PWP's net assets of \$60,948,000) = \$95,920,000.

	Platinum Asia Investments Limited \$'000	Group's share of associate \$'000	Platinum World Portfolios \$'000	Group's share of associate \$'000
30 June 2017				
Total assets	397,317	55,330	265,402	38,457
Total liabilities	12,339	1,718	2,602	377
Net assets	<u>384,978</u>	<u>53,612</u>	<u>262,800</u>	<u>38,080</u>

Total group's share of associates' statement of financial position (share of PAI's net assets of \$53,612,000 and PWP's net assets of \$38,080,000) = \$91,692,000

c. Carrying amount of investment using the equity method

	2018 \$'000	2017 \$'000
Opening balance	91,692	47,746
Initial recognition of PWP as an equity investment on deconsolidation	-	34,210
Partial disposal of PAI	(21,252)	-
Acquisition of additional PWP units (Japan sub-fund)	19,149	-
Share of associates' profit (see Note 2d below)	8,031	9,736
Dividends paid	(1,700)	-
Closing balance (see Note 2a)	<u>95,920</u>	<u>91,692</u>

Note 2. Equity investments in associates (continued)

d. Associate's net income

2018	Platinum Asia Investments Limited \$'000	Group's share of associate \$'000	Platinum World Portfolios \$'000	Group's share of associate \$'000
Total investment income	79,884	6,679	37,276	5,107
Total expenses	(6,940)	(578)	(6,454)	(884)
Profit before tax	72,944	6,101	30,822	4,223
Income tax expense	(21,466)	(1,789)	-	-
Profit after tax	51,478	4,312	30,822	4,223
Realised equity accounting gain on partial disposal of PAI shares, dividends received and dilution of unitholding throughout the year and foreign currency translation impact		1,180		(504)
Realised and unrealised gain on investment in associate		5,492		3,719
		Group's share of associates (total) \$'000		
Total investment income		11,786		
Total expenses		(1,462)		
Profit before tax		10,324		
Income tax expense		(1,789)		
Profit after tax		8,535		
Realised equity accounting gain on partial disposal of PAI shares, dividends received and dilution of unitholding throughout the year and foreign currency translation impact		676		
Realised and unrealised gain on investment in associates		9,211		
2017	Platinum Asia Investments Limited \$'000	Group's share of associate \$'000	Platinum World Portfolios \$'000	Group's share of associate \$'000
Total investment income	61,040	8,503	31,158	4,514
Total expenses	(5,508)	(767)	(1,600)	(232)
Profit before tax	55,532	7,736	29,558	4,282
Income tax expense	(16,381)	(2,282)	-	-
Profit after tax	39,151	5,454	29,558	4,282
		Group's share of associates (total) \$'000		
Total investment income		13,017		
Total expenses		(999)		
Profit before tax		12,018		
Income tax expense		(2,282)		
Profit after tax		9,736		

Note 2. Equity investments in associates (continued)

ACCOUNTING POLICY

Investments in associates are accounted for using the equity method. The share of profit recognised under the equity method is the consolidated entity's share of the investment in associate's profit or loss based on the ownership interest held. Associates are entities in which the consolidated entity, as a result of its voting rights and other factors, has significant influence, but not control or joint control, over its financial and operating policies.

Investments in associates are carried at the lower of the equity accounted carrying amount and the recoverable amount. When the consolidated entity's share of losses exceeds the carrying amount of the equity accounted investment (including assets that form part of the net investment in the associate), the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has obligations in respect of the associate.

Dividends from associates represent a return on the consolidated entity's investment and, as such, are applied as a reduction to the carrying value of the investment. Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment in the associate to the extent of the consolidated entity's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Other movements in associates' reserves are recognised directly in the consolidated entity's consolidated reserves.

Critical accounting judgements, estimates and assumptions

Assessment of significant influence: At 30 June 2018, the consolidated entity was assessed as having significant influence over Platinum Asia Investments Limited ("PAI") and Platinum World Portfolios Plc ("PWP") as a result of its direct investment and investment management activities and other factors outlined in Note 2 above.

We have conducted an impairment assessment of the carrying amount of the investment in associates, including a look-through of each of the underlying assets and liabilities. Our assessment is that at 30 June 2018, no impairment write-down is required because the carrying value of the investment, with respect to both PAI and PWP, is less than its fair value.

Note 3 Parent entity information

Set out below is supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2018 \$'000	2017 \$'000
Profit after income tax	181,222	181,770
Total comprehensive income	181,222	181,770

Statement of financial position

	Parent	
	2018 \$'000	2017 \$'000
Total current assets	111,272	127,117
Total assets	745,095	757,605
Total current liabilities	(538)	(8,412)
Total liabilities	(538)	(8,412)
Net assets	744,557	749,193
Equity		
Issued capital	731,245	742,933
Capital reserve	11,666	4,596
Retained profits	1,646	1,664
Total equity	744,557	749,193

Note 4. Equity attributable to non-controlling interest(s)

As discussed in Note 1, the 30 June 2018 consolidated statement of financial position includes the assets, liabilities and equity of Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX") at 30 June 2018, including its external investment. The external (non-related party) investment in PAXX represents a non-controlling interest in the Platinum consolidated entity. Non-controlling interests also reflect the investment in Platinum International Fund (Quoted Managed Hedge Fund) ("PIXX") up until the date of deconsolidation from the Platinum group, on 18 October 2017. The comparative year discloses the non-controlling interest relating to PWP, which was deconsolidated in the comparative year.

	2018	2017
	\$'000	\$'000
Opening balance	-	28,736
Profit after income tax attributable to non-controlling interests - PIXX	1,357	
Profit after income tax attributable to non-controlling interests – PAXX/PWP	1,016	6,621
Additional external investment into PAXX	91,765	-
Deconsolidation of PIXX	(1,357)	-
Distribution paid to external unitholders of PAXX	(16,845)	-
Additional external investment into PWP	-	73,758
Deconsolidation of PWP - Equity	-	(103,511)
Deconsolidation of PWP	-	(5,604)
	<u>75,936</u>	<u>-</u>

External equity – PAXX

External equity represents external investment into PAXX. During the year, net external investment into PAXX totalled A\$91,765,000.

Consolidated statement of financial position – excluding the impact of PAXX and its minority interest share at balance date.

	2018	2017
	\$'000	\$'000
Total current assets	226,552	259,338
Total assets	353,024	353,966
Total liabilities	(17,845)	(18,892)
Net assets	<u>335,179</u>	<u>335,074</u>
Equity		
Issued capital	731,245	742,933
Capital reserve	(582,006)	(585,818)
Retained profits	185,940	177,959
Total equity	<u>335,179</u>	<u>335,074</u>

PART B – Notes 5 to 23

Operations – Notes that explain the operations of the consolidated entity

Note 5. Operating segments

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

- funds management: through the generation of management and performance fees from Australian investment vehicles, its US-based investment mandates and Platinum World Portfolios Plc. ("PWP"); and
- investments and other: through the consolidated entity's investment (during the year) in the (a) ASX quoted, Platinum Asia Investments Limited ("PAI"), (b) offshore European-based fund, PWP, (c) unlisted Platinum Trust Funds, and (d) Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX") and Platinum International Fund (Quoted Managed Hedge Fund) ("PIXX")⁶. Also included in this category are Australian dollar term deposits as well as any associated interest derived from these.

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

⁶ Seed investment by the consolidated entity in PIXX was disposed of during the year (when PIXX derived sufficient additional external investment).

Note 5. Operating segments (continued)

	Funds Management \$'000	Investments and Other \$'000	Total \$'000
2018			
Revenue			
Management and performance fees	328,681	-	328,681
Interest	436	3,308	3,744
Distributions, dividends and gains on forward currency contracts*	-	23,312	23,312
Net losses on financial assets and equity in associates^	-	(3,743)	(3,743)
Net foreign exchange gains on overseas bank accounts	-	1,296	1,296
Total revenue and other income	329,117	24,173	353,290
Expenses	(84,681)	(285)	(84,966)
Profit before income tax expense	244,436	23,888	268,324
Income tax expense	(69,013)	(7,717)	(76,730)
Profit after income tax expense	175,423	16,171	191,594
Other comprehensive income	7	-	7
Total comprehensive income	175,430	16,171	191,601
Assets			
Cash and cash equivalents	4,837	159,500	164,337
Financial assets and equity in associates	-	194,716	194,716
Term deposits	-	27,876	27,876
Receivables and other assets	37,187	21,689	58,876
Total assets	42,024	403,781	445,805
Liabilities			
Payables and provisions	11,631	16,845	28,476
Tax liabilities	1,496	4,718	6,214
Total liabilities	13,127	21,563	34,690
Net assets	28,897	382,218	411,115
2017			
Revenue			
Management, performance and administration fees	312,468	-	312,468
Interest	343	3,998	4,341
Distributions, dividends and gains on forward currency contracts*	-	76	76
Net gains on financial assets and equity in associates^	-	16,515	16,515
Net foreign exchange gains on overseas bank accounts	-	149	149
Total revenue and other income	312,811	20,738	333,549
Expenses	(62,641)	(330)	(62,971)
Profit before income tax expense	250,170	20,408	270,578
Income tax expense	(74,170)	(3,761)	(77,931)
Profit after income tax expense	176,000	16,647	192,647
Other comprehensive income	-	406	406
Total comprehensive income	176,000	17,053	193,053
Assets			
Cash and cash equivalents	9,256	145,007	154,263
Financial assets and equity in associates	-	91,799	91,799
Term deposits	-	74,876	74,876
Receivables and other assets	32,769	259	33,028
Total assets	42,025	311,941	353,966
Liabilities			
Payables and provisions	9,977	-	9,977
Tax liabilities	7,368	1,547	8,915
Total liabilities	17,345	1,547	18,892
Net assets	24,680	310,394	355,074

Note 5. Operating segments (continued)

*The amount in the tables above disclosed as "Distributions, dividends and gains on forward currency contracts" is comprised of:

	2018 \$'000	2017 \$'000
Distribution received by PAXX from Platinum Asia Fund	21,551	-
Dividend received by PIML from its investment in PAI	1,700	-
Distribution received by PIML from its investment in the Platinum Trust Funds	21	11
Distributions and dividends (total as appears in the consolidated statement of profit or loss and other comprehensive income)	23,272	11
Net gains on forward currency contracts	40	65
	23,312	76

^The amount in the tables above disclosed as "Net (losses)/gains on financial assets and equity in associates" is comprised of:

	2018 \$'000	2017 \$'000
Unrealised losses made by PAXX (ex-distribution)	(15,521)	-
PAXXs own/direct realised income generated during the year	54	-
Realised gains made by PIML on disposal of PIXX units	1,142	-
Unrealised gains made by PIXX (during period of consolidation)	1,357	-
(Un)realised gains on Platinum Trust Fund investments/PWP whilst consolidated	14	6,779
Losses/(gains) on financial assets (total as appears in the consolidated statement of profit or loss and other comprehensive income)	(12,954)	6,779
Gains on equity investment in associates	9,211	9,736
	(3,743)	16,515

The consolidated entity derived management and performance fees from Australian investment vehicles, its "absolute" US performance fee mandates and PWP and also derived investment income from its seed investments, as follows:

	2018 \$'000	2017 \$'000
Revenue breakdown by geographic region		
Australia	320,719	316,366
Offshore: United States and Ireland	32,571	17,183
	353,290	333,549

ACCOUNTING POLICY

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ("CODM"). The CODM refers to the Board of the Company, who are responsible for the allocation of resources to operating segments and assessing their performance. Revenue as disclosed in the consolidated statement of profit or loss and other comprehensive income is measure at the fair value of the consideration received or receivable and is recognised if it meets the criteria below:

- *Management fees*: recognised based on the applicable investment management agreements and recognised as they are earned. The majority of management fees were derived from the Platinum Trust Funds C Class. The management fee for this Class was calculated at 1.35% per annum of each Fund's daily Net Asset Value.
- *Performance fees*: recognised as income at the end of the relevant period to which the performance fee relates, when the consolidated entity's entitlement to the fee becomes certain.
- *Interest income*: recognised in the consolidated statement of profit or loss and other comprehensive income and is based on the effective interest method.
- *Distributions*: recognised when the consolidated entity becomes entitled to the income.
- *Dividend Income*: brought to account on the applicable ex-dividend date.
- *Net gains on financial assets at fair value through profit and loss*: relates to net gains on seeded and other investments, and recognised as and when the fair value of these investments change and if disposed, the proceeds less costs on sale of investments.

Note 6. Taxation

(a) Income tax expense

The income tax expense attributable to profit comprises:

	2018 \$'000	2017 \$'000
Current tax payable	71,318	77,874
Deferred tax - recognition of temporary differences	5,165	54
Deferred tax - credited to share-based payments reserve	247	91
Adjustment recognised for prior periods	-	(88)
Income tax expense	<u>76,730</u>	<u>77,931</u>
<i>Numerical reconciliation of income tax expense:</i>		
Profit before income tax expense	<u>268,324</u>	<u>270,578</u>
Tax at the statutory tax rate of 30%	80,497	81,173
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax rate differential on offshore business income	(3,758)	(799)
Non-taxable losses/(gains) on investments	447	(2,830)
Other non-deductible expenses	95	6
Franking credits received	(551)	-
Realised accounting loss on PAI options	-	240
Taxable gains on Controlled Foreign Corporation	-	229
Adjustment recognised for prior periods	-	(88)
Income tax expense	<u>76,730</u>	<u>77,931</u>

(b) Non-current liabilities - net deferred tax liabilities:

	2018 \$'000	2017 \$'000
<i>Deferred tax liabilities comprises temporary differences attributable to:</i>		
Unrealised foreign exchange gains/(losses) on cash	402	(17)
Deferred Remuneration Plan	3,633	1,640
Employee provisions	(975)	(978)
Unrealised gains on investments	4,316	1,564
Capital expenditure not immediately deductible	(836)	(814)
Brokerage fee	-	(94)
Expense accruals	<u>(326)</u>	<u>(252)</u>
Net deferred tax liabilities	<u>6,214</u>	<u>1,049</u>

The net deferred tax liability figure is comprised of \$2,137,000 (2017: \$2,155,000) of deferred tax assets and \$8,351,000 (2017: \$3,204,000) of deferred tax liabilities.

It is estimated that most of the non-investment related deferred tax assets will be recovered or settled within 12 months, and are estimated to be \$1,301,000 (2017: \$1,230,000).

ACCOUNTING POLICY

Current tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 6. Taxation (continued)

Deferred tax

Deferred tax is accounted for in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the asset can be utilised.

Tax consolidation

The Company and its wholly-owned Australian controlled entities are part of a tax consolidated group under Australian tax legislation. The Company is the head entity of the tax-consolidated group.

Offshore Banking Unit ("OBU") Legislation

In June 2010, the Australian Taxation Office declared that the consolidated group is an Offshore Banking Unit (OBU) under Australian Taxation Law. This allows the consolidated group to apply a concessional tax rate of 10% to net income it derives from its offshore mandates. The concession was applied from 1 July 2010.

Critical accounting judgements, estimates and assumptions

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

Note 7. Reconciliation of profit after income tax to net cash from operating activities

	2018 \$'000	2017 \$'000
Profit after income tax expense for the year	191,594	192,647
Adjustments for:		
Prior period tax	-	(88)
Depreciation expense	724	895
Net loss on disposal of fixed assets	-	(1)
Purchase of shares and transaction costs associated with the Deferred Remuneration Plan	(11,703)	(4,791)
Share-based payments accounting expense	3,558	1,449
Foreign exchange differences	(1,138)	(118)
Interest income	(3,744)	(4,341)
Dividend and distribution income	(23,272)	-
(Gain)/loss on investments	3,703	(16,591)
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(377)	(455)
(Increase) in income tax receivable	(3,333)	-
Decrease in deferred tax assets	18	790
(Increase) in prepayments	(535)	(163)
Increase/(decrease) in trade creditors and GST	989	(696)
(Decrease) in income tax provision and expense	(7,757)	(2,900)
Increase/(decrease) in deferred tax liabilities	5,147	(645)
Increase in employee provisions and payroll tax	672	394
Net cash from operating activities	<u>154,546</u>	<u>165,386</u>

Note 7. Reconciliation of profit after income tax to net cash from operating activities (continued)

ACCOUNTING POLICY

In accordance with AASB 107: *Statement of Cash Flows*, cash includes deposits at call and cash at bank that are used to meet short-term cash requirements. Cash equivalents include short-term deposits of three months or less from the date of acquisition that are readily convertible into cash. Cash and cash equivalents at the end of the financial year, as shown in the consolidated statement of cash flows and are reconciled to the related item in the consolidated statement of financial position.

Under AASB 107, term deposits that have maturities of more than three months from the date of acquisition are not included as part of "cash and cash equivalents" and have been disclosed separately in the consolidated statement of financial position. All term deposits are held with licensed Australian banks.

Payments and receipts relating to the purchase and sale of term deposits are classified as "cash flows from investing activities".

Receipts from operating activities include management and performance fees receipts. Payments for operating activities include payments to suppliers and employees.

Note 8. Non-current assets - financial assets at fair value through profit or loss

	2018 \$'000	2017 \$'000
Unit trust – held directly by Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX") ^	98,602	-
Platinum Trust Fund investments	194	107
	<u>98,796</u>	<u>107</u>

^ At 30 June 2018, the financial assets of PAXX have been consolidated into the Platinum consolidated entity. As discussed in Note 1, the consolidated entity seeded PAXX and was assessed as having control over PAXX at 30 June 2018, predominantly because PIML had an ownership interest of 19.9% and because PIML acts as the Investment Manager of PAXX.

ACCOUNTING POLICY

Under AASB 139: *Financial Instruments: Recognition and Measurement*, investments are classified in the consolidated entity's statement of financial position as "financial assets/liabilities at fair value through profit or loss".

The consolidated entity has applied AASB 13: *Fair Value Measurement*. AASB 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

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

With respect to both investments disclosed in Note 8, the fair value includes the impact of the 30 June distribution.

Note 9. Current assets - trade and other receivables

	2018 \$'000	2017 \$'000
Management fees receivable	27,959	28,024
Performance fees receivable	1,180	738
Distribution receivable – PAXX investment in Platinum Asia Fund	21,551	-
Interest receivable	138	268
Prepayments	1,693	1,158
Sundry debtors	36	11
	<u>52,557</u>	<u>30,199</u>

Management and performance fees receivable(s) are received between three to 30 days after balance date.

Interest receivable comprises accrued interest on term deposits and cash accounts. Interest on term deposits is received on maturity.

ACCOUNTING POLICY

All receivables are measured at amortised cost, are not discounted, and are recognised when a right to receive payment is established. Any debts that are known to be uncollectible are written off. Trust distributions are recognised when the consolidated entity becomes entitled to the income.

Note 10. Non-current assets – fixed assets

	2018 \$'000	2017 \$'000
Computer equipment - at cost	1,530	1,314
Less: Accumulated depreciation	(1,204)	(1,097)
	<u>326</u>	<u>217</u>
Software and applications - at cost	5,775	5,205
Less: Accumulated depreciation	(4,321)	(3,997)
	<u>1,454</u>	<u>1,208</u>
Communications equipment - at cost	146	133
Less: Accumulated depreciation	(120)	(112)
	<u>26</u>	<u>21</u>
Office premises fit out - at cost	2,566	2,543
Less: Accumulated depreciation	(1,547)	(1,293)
	<u>1,019</u>	<u>1,250</u>
Furniture and equipment - at cost	729	670
Less: Accumulated depreciation	(568)	(537)
	<u>161</u>	<u>133</u>
	<u>2,986</u>	<u>2,829</u>

Note 10. Non-current assets – fixed assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Computer equipment \$'000	Software & applications \$'000	Communi- cations equipment \$'000	Office premises fit out \$'000	Furniture & equipment \$'000	Total \$'000
Balance at 1 July 2016	178	774	28	1,478	170	2,628
Additions	142	862	8	75	10	1,097
Disposals	-	-	(1)	-	-	(1)
Depreciation expense	(103)	(428)	(14)	(303)	(47)	(895)
Balance at 30 June 2017	217	1,208	21	1,250	133	2,829
Additions	216	570	13	23	59	881
Disposals	-	-	-	-	-	-
Depreciation expense	(107)	(324)	(8)	(254)	(31)	(724)
Balance at 30 June 2018	326	1,454	26	1,019	161	2,986

At 30 June 2018, there was software and applications in the course of construction and development of \$406,252 (2017: \$530,043), which is included as part of the software & applications additions and balance.

ACCOUNTING POLICY

Fixed assets are stated at historical cost less depreciation. Fixed assets (other than in-house software and applications in the course of construction and development) are depreciated over their estimated useful lives using the diminishing balance method.

The expected useful lives are as follows:

Computer equipment	4 years
Software	2½ years
In-house software and applications	4 years
Communications equipment	4 - 10 years
Office fit out	3 - 13 years
Office furniture and equipment	5 - 13 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

A fixed asset is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Critical accounting judgements, estimates and assumptions

Estimation of useful lives of assets: Management exercises judgement in determining the estimated useful lives and related depreciation charges for its fixed assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated.

Note 11. Current liabilities - trade and other payables

	2018 \$'000	2017 \$'000
Distribution payable – PAXX to unitholders (excluding PIML's share)	16,845	-
Trade payables	4,326	3,219
Unclaimed dividends payable to shareholders	538	545
GST payable	2,373	2,491
	<u>24,082</u>	<u>6,255</u>

ACCOUNTING POLICY

Payables represent amounts owing at balance date. Trade payables relate to services provided to the consolidated entity at balance date, which are unpaid. Due to their general short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 14 to 30 days of being invoiced.

Note 12. Current and non-current liabilities - employee benefits

	2018 \$'000	2017 \$'000
Current liabilities		
Annual leave	1,337	1,364
Long service leave	1,912	1,897
	<u>3,249</u>	<u>3,261</u>
Non-current liabilities		
Payroll tax on Deferred Remuneration Plan*	<u>1,145</u>	<u>461</u>

* The payroll tax provision increased because payroll tax is payable on the additional tranches of deferred rights granted during the year.

ACCOUNTING POLICY

Employee benefit liabilities represents accrued wages, salaries, annual and long-service leave entitlements and other incentives (including any provision for estimated staff incentive payments and related on-costs), that are recognised in respect of employee services up to balance date and are measured at the amounts expected to be paid when the liabilities are settled and include related on-costs, such as payroll tax.

Critical accounting judgements, estimates and assumptions

With respect to the interim/half-year financial report, in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*, management may include a provision at 31 December for staff incentive payments, if the consolidated entity has achieved strong performance for its clients at that point in time, even though the annual assessment period is from 1 April to 31 March.

Note 13. Equity – Issued capital

	2018 Shares	2017 Shares	2018 \$'000	2017 \$'000
Ordinary shares - fully paid (a)	586,678,900	586,678,900	751,355	751,355
Treasury shares (b)	(3,471,866)	(1,626,026)	(20,110)	(8,422)
Total issued capital	<u>583,207,034</u>	<u>585,052,874</u>	<u>731,245</u>	<u>742,933</u>

(a) *Ordinary shares*: entitles shareholders to participate in dividends as declared and in the event of winding up of the Company, to participate in the proceeds in proportion to the number of and amounts paid on the ordinary shares held. Ordinary shares entitle the shareholder to one vote per share, either in person or by proxy, at a meeting of the Company's shareholders. All ordinary shares issued have no par value. On 13 September 2016, the Company announced an on-market share buy-back program, in which shares will be bought-back if the Company's shares trade at a discount to its underlying value. No shares have been bought-back.

(b) *Treasury shares*: are shares that have been purchased by the Employee Share Trust, pursuant to the Deferred Remuneration Plan (Refer to Note 19). Treasury shares are held by the Employee Share Trust for future allocation to employees. Details of the balance of treasury shares at the end of the financial year were as follows:

Note 13. Equity – Issued capital (continued)

	2018 Shares	2017 Shares	2018 \$'000	2017 \$'000
Opening balance	1,626,026	591,578	8,422	3,638
Additional shares held by the Employee Share Trust	1,845,840	1,034,448	11,688	4,784
Shares allocated to employees	-	-	-	-
Balance at the end of the financial year	<u>3,471,866</u>	<u>1,626,026</u>	<u>20,110</u>	<u>8,422</u>

ACCOUNTING POLICY

Ordinary shares

Ordinary shares are recognised as the amount paid per ordinary share, net of directly attributable issue costs.

Treasury shares

Where the consolidated entity purchase shares in the Company, the consideration paid is deducted from total shareholders' equity and the shares treated as treasury shares. Treasury shares are recorded at cost and when restrictions on employee shares are lifted which is dependent on vesting and exercise of the rights, the cost of such shares will be adjusted to the share-based payments reserve.

Note 14. Equity - reserves

	2018 \$'000	2017 \$'000
Foreign currency translation reserve	121	114
Capital reserve	(588,144)	(588,144)
Share-based payments reserve	6,017	2,212
	<u>(582,006)</u>	<u>(585,818)</u>

Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated as a separate reserve within equity. The balance of the foreign currency translation reserve was \$121,000 at 30 June 2018 (30 June 2017: \$114,000).

Capital reserve

In 2007, in preparation for listing, a restructure was undertaken in which the Company sold or transferred all of its assets, other than its beneficial interest in shares in Platinum Asset Pty Limited and sufficient cash to meet its year to date income tax liability.

The Company then split its issued share capital of 100 shares into 435,181,783 ordinary shares. It then took its beneficial interests in Platinum Investment Management Limited to 100%, through scrip for scrip offers, in consideration for the issue of 125,818,217 ordinary shares in the Company.

As a result of the share split and takeover offers, the Company had 561,000,000 ordinary shares on issue and beneficially held 100% of the issued share capital of Platinum Investment Management Limited. Subsequently, 140,250,000 shares on issue representing 25% of the issued shares of the Company were sold to the public by existing shareholders.

The amount of \$588,144,000 was established on listing as a result of the difference between the consideration paid for the purchase of non-controlling interests and the share of net assets acquired in the minority interests.

Share-based payments reserve

In June 2016, the consolidated entity established the Deferred Remuneration Plan. The amount in the share-based payments reserve is comprised of the amortisation of the rights granted and any associated future tax deduction.

Please refer to Note 19 for further information.

Note 14. Equity – reserves (continued)

Movements in reserves:

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

	Share-based payments \$'000	Foreign currency \$'000	Capital \$'000	Total \$'000
Balance at 30 June 2016	672	(292)	(588,144)	(587,764)
Exchange rate translation impact of foreign subsidiaries	-	(595)	-	(595)
Deconsolidation of controlled entity	-	1,001	-	1,001
Movement in share-based payments reserve	1,540	-	-	1,540
Balance at 30 June 2017	2,212	114	(588,144)	(585,818)
Exchange rate translation impact of foreign subsidiaries	-	7	-	7
Movement in share-based payments reserve	3,805	-	-	3,805
Balance at 30 June 2018	6,017	121	(588,144)	(582,006)

Note 15. Equity - retained profits

	2018 \$'000	2017 \$'000
Retained profits at the beginning of the financial year	177,959	175,522
Profit after income tax expense attributable to owners of the Company	189,221	186,026
Deconsolidation of Platinum World Portfolios Plc. ("PWP")	-	(1,902)
Dividends paid (Note 16)	(181,240)	(181,687)
Retained profits at the end of the financial year	185,940	177,959

Note 16. Equity - dividends

Dividends paid

Dividends paid during the financial year were as follows:

	2018 \$'000	2017 \$'000
Final dividend paid for the 2017 financial year (15 cents per share)	87,758	-
Interim dividend paid for the 2018 financial year (16 cents per share)	93,482	-
Final dividend paid for the 2016 financial year (16 cents per share)	-	93,774
Interim dividend paid for the 2017 financial year (15 cents per share)	-	87,913
	181,240	181,687

Dividends not recognised at year-end

Since 30 June 2018, the Directors declared to pay a fully-franked dividend of 16 cents per share, payable out of profits for the 12 months to 30 June 2018. The dividend has not been provided for at 30 June 2018, because the dividend was declared after year-end.

Note 16. Equity – dividends (continued)

Franking credits

	2018 \$'000	2017 \$'000
Franking credits available at reporting date based on a tax rate of 30%	77,903	72,333
Franking (debits)/credits that will arise from the (refund)/payment of the provision for income tax at the reporting date based on a tax rate of 30%	(3,333)	7,866
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>74,570</u>	<u>80,199</u>

ACCOUNTING POLICY

A provision is made for the amount of any dividend declared by the Directors before or at the end of the financial year but not distributed at balance date.

Note 17. Financial risk management

Financial risk management objectives

The Company's and consolidated entity's activities expose it to both direct and indirect financial risk, including: market risk, credit risk and liquidity risk. Material direct exposure to financial risk occurs through the impact on profit of movements in funds under management ("FUM") and through its direct investments in:

- Platinum Asia Investments Limited ("PAI");
- the offshore European-based fund, Platinum World Portfolios Plc ("PWP"); and
- its investments in Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX").

Indirect exposure occurs because PIML is the Investment Manager for various investment vehicles, including:

- investment mandates;
- various unit trusts, namely the Platinum Trust Funds, Platinum Global Fund, PIXX and PAXX;
- its ASX-listed investment companies, Platinum Capital Limited and PAI; and
- PWP.

The consolidated entity does not derive any management fees or performance fees directly from PIXX and PAXX. Management and performance fees are borne at the Platinum International Fund/Platinum Asia Fund level and are paid directly by these Funds to the consolidated entity.

This note mainly discusses the direct exposure to risk of the consolidated entity. The consolidated entity's risk management procedures focus on managing the potential adverse effects on financial performance caused by volatility of financial markets.

Note 17. Financial risk management (continued)

Market risk

The key direct risks associated with the consolidated entity are those driven by investment and market volatility and the resulting impact on FUM or a reduction in the growth of FUM. Reduced FUM will directly impact on management fee income and profit because management fee income is calculated as a percentage of FUM. FUM can be directly impacted by a range of factors including:

- (i) Poor investment performance: absolute negative investment performance will reduce FUM and relative under performance to appropriate market benchmarks could reduce the attractiveness of Platinum's investment products to investors, which would impact on the growth of the business. Poor investment performance could also trigger the termination of Investment Mandate arrangements;
- (ii) Market volatility: Platinum invests in global markets. It follows that a decline in overseas markets, adverse exchange rate or interest rate movements will all impact on FUM;
- (iii) A reduction in the ability to retain and attract investors: that could be caused by a decline in investment performance, but also a range of other factors, such as the high level of competition in the funds management industry;
- (iv) A loss of key personnel; and
- (v) Investor allocation decisions: investors constantly re-assess and re-allocate their investments on the basis of their own preferences. Investor allocation decisions could operate independently from investment performance, such that funds outflows occur despite positive investment performance.

A decline in investment performance will also directly impact on performance share fees and performance fees earned by the consolidated entity. Historically, the amount of performance share fees earned by the consolidated entity has fluctuated significantly from year to year and can be a material source of fee revenue.

For those investment mandates that pay a performance share fee, the fee is based on a proportion of each Mandate's investment performance, and is calculated at the end of each calendar year and is based on absolute (and not relative) return.

Performance fees may be earned by the consolidated entity, if the investment return of a Platinum Trust Fund, Platinum Capital Limited, Platinum Asia Investments Limited, Platinum World Portfolios or applicable mandate exceeds its specified benchmark. Should the actual performance of one or more of these entities be higher than the applicable benchmark or index, a performance fee would be receivable for the financial year. As at 30 June 2018, performance fees of \$1,180,270 (2017: \$738,524) were receivable.

If global equity markets fell 10% over the course of the year and consequently the consolidated entity's FUM fell in line with global equity markets, it follows that management fees would fall by 10%. If there was a 10% decrease in performance of investment mandates over the course of the year that resulted in an actual negative performance for the Investment Mandate for the year, then no performance fee would be earned (2018: \$21,878,000, 2017: \$1,626,000).

The above analysis assumes a uniform 10% fall across all global equity markets. This is extremely unlikely as there is a large degree of variation in volatility across markets. For example, it is quite feasible for the Chinese market to grow whilst other Asian markets fall.

To mitigate the impact of adverse investment performance on FUM, the investment manager may employ hedging strategies to manage the impact of adverse market and exchange rate movements on the funds it manages. Market risk may be managed through derivative contracts, including futures, options and swaps. Currency risk may be managed through the use of forward currency contracts.

The section below mainly discusses the direct impact of foreign currency risk, price risk and interest rate risk on the consolidated entity's financial instruments held at 30 June 2018.

Note 17. Financial risk management (continued)

Foreign currency risk

The consolidated entity is exposed to foreign currency risk, because:

- it holds US Dollar cash, either directly or through its direct investments;
- it derives management and performance fees from its US Dollar investment mandates; and
- it directly invests in Platinum World Portfolios, Platinum Asia Investments Limited and PAXX.

US Dollar cash

At 30 June 2018, the consolidated entity held US\$18,525,503 (equivalent to A\$25,032,773) in cash (2017: US\$2,978,425 (equivalent to A\$3,873,618)). If the Australian Dollar had been 10% higher/lower against the US Dollar than the prevailing exchange rate used to convert the balance with all other variables held constant, net profit before tax would have been A\$2,277,530 lower/A\$2,783,989 higher (2017: A\$352,189 lower/A\$430,464 higher). The increase relative to the prior year relates to the fact that the consolidated entity received additional US dollar cash, because of the performance share fees derived from its US “absolute fee” mandate during the year.

US Dollar fees

If the Australian Dollar had been 10% higher/lower against the US Dollar than the prevailing exchange rate used to convert the US mandate and PWP fees, with all other variables held constant, then net profit before tax would have been A\$2,496,946 lower/A\$3,051,711 higher (2017: A\$502,668 lower/A\$614,288 higher). The increase relative to the prior year was mainly attributable to the fact that the consolidated entity derived performance share fees from its US “absolute fee” mandate during the year.

Investment in PWP

Platinum Investment Management Limited's (PIML's) investment in PWP is denominated in US Dollars. If the Australian Dollar had been 10% higher/lower against the prevailing exchange rate at 30 June 2018, then the consolidated entity's net assets would have been A\$5.8m lower/A\$7.0m higher (2017: A\$3.4m lower/A\$4.2m higher) (exchange rate translation effect).

Platinum World Portfolios' investments are denominated in various foreign currencies specific to the investments held in each of the portfolios. The foreign currency with the largest impact on profit before tax, if there was a 10% currency movement at 30 June 2018, was the Hong Kong Dollar (2017: Japanese Yen). A 10% increase/decrease in the Australian Dollar would have caused net profit before tax to be A\$2,180,699 lower/A\$2,719,894 higher, based on PIML's interest in PWP at 30 June 2018 (2017: A\$726,765 lower/A\$939,761 higher).

Investment in PAI

Platinum Asia Investments Limited's investments are also denominated in foreign currencies. The foreign currency with the largest impact on profit before tax, if there was a 10% currency movement at 30 June 2018, was the Hong Kong Dollar, which was the currency with the largest exposure in this entity at 30 June 2018. A 10% increase/decrease in the Australian Dollar would have caused the consolidated entity's net profit before tax to be A\$1,417,016 lower/A\$1,731,890 higher (2017: A\$1,579,510 lower/A\$1,930,512 higher).

Investment in PAXX

PAXX is a feeder fund that invests in Platinum Asia Fund, which invests in undervalued companies across the Asian region-ex Japan. The foreign currency with the largest impact on profit before tax, if there was a 10% currency movement at 30 June 2018, was the Hong Kong Dollar, which was the currency with the largest exposure in PAXX at 30 June 2018. A 10% increase/decrease in the Australian Dollar would have caused the Company's net profit before tax to be A\$1,774,000 lower/A\$2,168,000 higher (2017: nil).

Note 17. Financial risk management (continued)

Price risk

At 30 June 2018, the consolidated entity is exposed to indirect price risk through its equity-accounted investments in Platinum Asia Investments Limited and Platinum World Portfolios and its direct investment in PAXX. The impact of price risk is summarised in the table below:

Entity	Impact on net profit before tax of 10% increase/(decrease) in 30 June net asset values	
	2018 \$'000 Increase/(decrease)	2017 \$'000 Increase/(decrease)
PAI	3,497/(3,497)	5,361/(5,361)
PWP	6,094/(6,094)	3,808/(3,808)
PAXX	1,964/(1,964)	-

The consolidated entity's exposure to price risk for PAI decreased because it disposed of 20,000,000 shares or 40% of its holding during the year.

The consolidated entity's exposure to price risk for PWP mainly increased because it acquired units in PWP during the year.

Interest rate risk

At 30 June 2018, cash and term deposits are the only significant assets with potential exposure to interest rate risk held by the consolidated entity. A movement of +/-1% in Australian interest rates occurring on 30 June 2018 will cause the consolidated entity's net profit before tax to be \$422,751 higher/lower, based on the impact on its interest-bearing cash balances. An interest rate movement at 30 June 2018 will not impact the profit earned from term deposits, as term deposit interest rates are determined on execution.

Credit risk

Credit risk relates to the risk of a counterparty defaulting on a financial obligation resulting in a loss to the consolidated entity (typically "non-equity" financial instruments). Credit risk arises from the financial assets of the consolidated entity that include: cash and term deposits. All term deposits are held with licensed Australian banks that all have a AA- credit rating.

The maximum exposure to direct credit risk at balance date is the carrying amount recognised in the consolidated statement of financial position. No assets are past due or impaired.

Any default in the value of a financial instrument held within any of the entities that Platinum Investment Management Limited acts as Investment Manager, will result in reduced investment performance. There is no direct loss for the consolidated entity other than through the ensuing reduction in FUM, as noted above in the section on "market risk". The Investment Manager employs standard market practices for managing its credit risk exposure.

The credit quality of cash and term deposits held by each entity in the consolidated entity, by counterparty, can be assessed by reference to external credit ratings. At 30 June 2018 and 30 June 2017, the relevant credit ratings were as follows:

	2018 \$'000	2017 \$'000
Rating		
AA-	167,120	225,170
A	24,886	3,770
BBB+	207	199
	<u>192,213</u>	<u>229,139</u>

Note 17. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with its liabilities. The consolidated entity manages liquidity risk by maintaining sufficient cash reserves to cover its liabilities and receiving management fees to meet operating expenses on a regular basis. Management monitors its cash position on a daily basis and prepares forecasts on a weekly basis.

Remaining contractual maturities

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

	At call \$'000	Within 30 days \$'000	Between 1 and 3 months \$'000	Over 3 months \$'000	Total \$'000
2018					
Distribution payable – PAXX to unitholders	-	16,845	-	-	16,845
Trade payables	-	4,326	-	-	4,326
GST payable	-	2,373	-	-	2,373
Unclaimed dividends payable	538	-	-	-	538
Employee-related provisions	3,249	-	-	1,145	4,394
Total	3,787	23,544	-	1,145	28,476
	At call \$'000	Within 30 days \$'000	Between 1 and 3 months \$'000	Over 3 months \$'000	Total \$'000
2017					
Trade payables	-	3,219	-	-	3,219
GST payable	-	2,491	-	-	2,491
Current tax payable	-	-	7,866	-	7,866
Unclaimed dividends payable	545	-	-	-	545
Employee-related provisions	3,261	-	-	461	3,722
Total	3,806	5,710	7,866	461	17,843

Financial liabilities at fair value through profit or loss

The consolidated entity had no financial liabilities at fair value through profit or loss at 30 June 2018 or 30 June 2017.

Accordingly, the consolidated entity does not have a significant direct exposure to liquidity risk.

Fair value of financial instruments

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

Capital risk management

(i) Capital requirements

The Company has limited capital requirements. Owing to the volatility caused by the performance share fee and performance fee component of revenue, the Directors smooth dividend payments and have a policy of paying out 80% to 90% of net profit after income tax expense. This is a policy, not a guarantee.

Note 17. Financial risk management (continued)

(ii) External requirements

Platinum Investment Management Limited is required to hold an Australian Financial Services Licence (AFSL) issued by the Australian Securities and Investments Commission (ASIC). The AFSL authorises Platinum Investment Management Limited to provide investment management services and act as a Responsible Entity of Registered Managed Investment Schemes.

Platinum Investment Management Limited has complied with all externally imposed requirements to hold an AFSL during the financial year.

Note 18. Fair value measurement

Fair value hierarchy

AASB 13: *Fair Value Measurement* requires the consolidated entity to classify those assets measured at fair value using the following fair value hierarchy model (consistent with the hierarchy model applied to financial assets and liabilities at 30 June 2017):

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices) (level 2); and
- (iii) inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (level 3).

The investments in PAI and PWP have not been measured at fair value because they have been classified as equity investments in associates. If these were to be measured at fair value, they would be classified as level 1.

The following table analyses within the fair value hierarchy model the consolidated entity's assets and liabilities, measured or disclosed at fair value, using the three level hierarchy model at 30 June 2018 and 30 June 2017. The consolidated entity has no assets or liabilities that are classified as level 3.

	Level 1 \$'000	Level 2 \$'000	Total \$'000
2018			
<i>Assets</i>			
Unit trust – held directly by Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX")	-	98,602	98,602
Platinum Trust Fund investments	-	194	194
	-	98,796	98,796
2017			
<i>Assets</i>			
Platinum Trust Fund investments	-	107	107
	-	107	107

Note 18. Fair value measurement (continued)

Valuation techniques used to classify assets and liabilities as level 2

PIML's direct investment in the unit trust investment held directly by PAXX and the Platinum Trust Funds are valued using their respective Net Asset Values (adjusted for the buy-sell spread) of the underlying assets and liabilities and includes the impact of the 30 June distribution. Accordingly, management has assessed the fair value investments as being Level 2 investments.

For the previous corresponding period, PIML's investment in the Platinum Trust Funds were valued based on the quoted redemption price of the Funds (ie: the daily unit price) and were classified as Level 1. They have been re-classified as Level 2 investments for comparative purposes.

Note 19. Share-based payments

Deferred Remuneration Plan (*applies to all staff*).

In June 2016, a "Deferred Bonus Plan" (now known as a "Deferred Remuneration Plan") was approved by the Nomination & Remuneration Committee of Platinum Asset Management Limited. The main objective of the Plan is to recognise the contributions made by key employees and to retain their skills within the firm.

<i>Plan</i>	<i>Description</i>	<i>Vesting condition</i>
Deferred Remuneration Plan	Upon vesting and exercise of the deferred rights, employees will receive ordinary shares in the Company. The deferred rights also carry an entitlement to a dividend equivalent payment. Upon the valid exercise of a deferred right, or deemed exercise, of a deferred right, an eligible employee will be entitled to receive an amount approximately equal to the amount of dividends that would have been paid to the eligible employee had they held the share from the grant date to the date that the deferred rights are exercised.	Continuous employment for a period of 4 years from the grant date.

The number of rights granted and the accounting expense for the current and comparative year is shown below. The trust has purchased an equivalent number of PTM shares and will hold these shares until the vesting date (four years from each grant) and subsequent exercise.

	2018	2017
	Number of deferred rights granted	Number of deferred rights granted
Opening balance	1,626,026	591,578
Granted during the year	1,878,168	1,050,656
Cancelled during the year	(32,328)	(16,208)
Closing balance	3,471,866	1,626,026

Note 19. Share-based payments (continued)

Accounting expense	2018 \$'000	2017 \$'000
Deferred rights granted in 2018	2,144	-
Deferred rights granted in 2017	797	848
Deferred rights granted in 2016	617	601
Total share-based payments expense	3,558	1,449
Associated payroll tax expense on additional deferred rights granted during the year	689	262
Total	4,247	1,711

The increase in the share-based payments expense and the additional payroll tax is attributed to the fact that an increased number of deferred rights were granted in FY18 to key employees as a reward for the increased one and three year returns generated for investors and mandate clients.

ACCOUNTING POLICY

AASB 2: *Share-based Payments* requires an organisation to recognise an expense for equity provided for services rendered by employees. The amount that is recognised as an expense for share-based payments is derived from the fair value of the equity instruments granted. Deferred incentives to be settled in the Company's shares are considered to be a share-based payments award.

The fair value of the equity instruments granted and measured at grant date is recognised over the term of the service period. The accounting expense will commence when there is a "shared understanding" of the terms and conditions of the offer. The service period may commence prior to grant date. In this case, the expense is estimated and trued-up at grant date.

The fair value of the rights granted is recognised in the consolidated financial statements as an expense with a corresponding entry to reserves. The fair value is measured at grant date and amortised on a straight-line basis over the vesting period that the employees become unconditionally entitled to the share. In measuring the fair value, an allowance has been made for the risk or probability of forfeiture, which measures the risk of selected eligible employees leaving Platinum and forfeiting their rights.

At each balance date, the Company reviews the number of deferred rights granted. Adjustments are made to the share-based payments expense, if the number of deferred rights granted has changed (e.g. through forfeitures). The impact of any revision to the original estimate will be recognised in the consolidated statement of profit or loss and other comprehensive income with the corresponding entry to reserves.

The purchase of shares on-market by the Company through an Employee Share Trust for future allocation to key employees is shown in the consolidated statement of financial position as a debit entry to the "treasury shares" account with the corresponding credit entry to "cash".

Note 20. Key management personnel disclosures

	2018 \$'000	2017 \$'000
The aggregate remuneration that the consolidated entity provided Executive and Non-Executive Directors was as follows:		
Cash salary, Directors' fees and short-term incentive cash awards	6,722	3,984
Accounting expense related to the KMP allocation under the Deferred Remuneration Plan^	381	121
Superannuation	136	146
Decrease in the consolidated entity's annual and long service leave provision	(8)	(11)
	<u>7,231</u>	<u>4,240</u>

The increase in KMP remuneration predominantly related to the increased short-term cash awards paid to those Executive Directors that played a direct role in either increasing the returns for our underlying funds and clients or increasing our product range, both of which have translated to increased FUM.

^ Andrew Clifford, Elizabeth Norman and Andrew Stannard were the only members of KMP to receive an allocation of rights under the Deferred Remuneration Plan. The expense attributable to KMP are based on the allocation of deferred rights as follows:

The number of rights and associated accounting expense attributable to KMP was as follows:

	2018 grant	2017 grant	2016 grant	Total
Number of rights allocated to KMP during the year	248,346	86,208	48,623	383,177
Accounting expense attributed to KMP	\$260,998	\$67,391	\$52,201	\$380,590

The accounting valuation of \$380,590 represents the amount expensed through the income statement in the current year, with respect to grants made in 2016, 2017 and 2018.

Interests of Non-Executive and Executive Directors in shares

The relevant interest in ordinary shares in the Company that each Director held at balance date was:

	Opening balance	Additions	Disposals	Closing balance
Michael Cole	200,000	40,000	-	240,000
Stephen Menzies	30,000	10,000	-	40,000
Anne Loveridge	6,000	16,000	-	22,000
Brigitte Smith	-	41,666	-	41,666
Kerr Neilson	312,074,841	-	-	312,074,841
Andrew Clifford	32,831,449	-	-	32,831,449
Elizabeth Norman	766,748	-	-	766,748
Andrew Stannard	-	-	-	-

Note 21. Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by PricewaterhouseCoopers (the auditor of the Company) and its overseas network firms:

	2018	2017
	\$	\$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit and review of the financial statements and AFSL audit	93,730	91,000
<i>Audit services for managed funds that Platinum Investment Management Limited acts as responsible entity - PricewaterhouseCoopers</i>		
Audit and review of the financial statements and compliance plan audit	300,369	258,600
<i>Audit services for managed funds that Platinum Investment Management Limited acts as responsible entity and audit services for Platinum World Portfolios Plc. - overseas PricewaterhouseCoopers firms</i>		
Audit of financial statements	50,000	74,995
Total audit services	444,099	424,595
<i>Taxation services - PricewaterhouseCoopers</i>		
Compliance services	87,090	81,481
<i>Taxation services for managed funds for which Platinum Investment Management Limited acts as responsible entity - PricewaterhouseCoopers</i>		
Taxation services	487,580	431,976
<i>Taxation services - overseas PricewaterhouseCoopers firms</i>		
Foreign tax agent fees	17,855	21,528
PwC US work associated with the start-up of the Cayman Funds	3,892	-
Total taxation services	596,417	534,985
<i>Other services - PricewaterhouseCoopers</i>		
Compliance and assurance services	148,083	114,000
Remuneration services (advice on Deferred Remuneration Plan)	-	52,870
Total other services	148,083	166,870
Total fees paid and payable to the auditor and its related practices	1,188,599	1,126,450

Note 22. Earnings per share

	2018	2017
	\$'000	\$'000
Profit after income tax attributable to the owners of Platinum Asset Management Limited	189,221	186,026
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	Number	Number
	584,732,213	586,052,147
	Cents	Cents
Basic earnings per share	32.36	31.74
Diluted earnings per share	32.36	31.74

Note 22. Earnings per share (continued)

ACCOUNTING POLICY

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Platinum Asset Management Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year. Treasury shares are excluded from the weighted average number of ordinary shares used to calculate basic (and diluted) earnings per share.

Diluted earnings per share

Diluted earnings per share adjusts the weighted average number of shares used to determine basic earnings per share to take into account any options that are "in the money", but not exercised.

PART C – Notes 23 to 27 – Miscellaneous Notes – Miscellaneous Notes that are required by the accounting standards

Note 23. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in Note 1.

Key management personnel

Disclosures relating to key management personnel are set out in Note 20 and the Remuneration Report in the Directors' Report.

Tax consolidation and dividend transactions

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

Fees received

Platinum Investment Management Limited provides investment management services to:

- (i) its related party unit trusts - the Platinum Trust Funds and Platinum Global Fund;
- (ii) its European-based offshore fund, Platinum World Portfolios Plc;
- (iii) its two ASX-listed investment companies (LICs), Platinum Capital Limited (PMC) and Platinum Asia Investments Limited (PAI); and
- (iv) its two ASX quoted managed funds, Platinum International Fund (Quoted Managed Hedge Fund) (ASX code: PIXX) and Platinum Asia Fund (Quoted Managed Hedge Fund) (ASX code: PAXX).

Note 23. Related party transactions (continued)

Platinum Investment Management Limited is entitled to receive a monthly management fee, either directly or indirectly, from each of these entities and a performance fee based on the relative investment performance of the Platinum Trust Funds, Platinum World Portfolios Plc, Platinum Capital Limited (PMC) and Platinum Asia Investments Limited (PAI). The consolidated entity does not derive any management fees or performance fees directly from PIXX and PAXX. Management and performance fees are borne at the Platinum International Fund/Platinum Asia Fund level and are paid directly by these funds to the consolidated entity. The total related party fees recognised in the statement of profit or loss and other comprehensive income for the period ended 30 June 2018 and 30 June 2017 were as follows:

	30 June 2018	30 June 2017
	\$	\$
Related party fees	257,492,273	260,263,536

Included in these figures, is related party fees receivable, disclosed in the statement of financial position for the period ended 30 June 2018 and 30 June 2017 as follows:

	30 June 2018	30 Jun 2017
	\$	\$
Related party fees receivable	23,317,632	22,869,423

Investment transactions

During the year, Platinum Investment Management Limited ("PIML") invested \$11.4 million in PIXX and \$22.3 million in PAXX as a seed investment, but as a result of encouraging net fund inflows, PIML redeemed its investment in PIXX during the year. The total net sale proceeds (after brokerage) was \$12,545,324.

During the year, PIML sold 20 million of its shares in PAI and generated \$24.1 million in net sale proceeds (after brokerage). PIML also received the final 2017 fully-franked dividend of \$500,000 and the interim 2018 fully-franked dividend of \$1,200,000 from its investment in PAI.

On 3 July 2017, PIML launched performance fee classes for each of its 8 Platinum Trust Funds. PIML seeded each of these Funds with an investment of \$10,000 each (or \$80,000 in total).

During the year, PIML invested additional US\$15,000,000 (equivalent to A\$19,160,378) in the Japan sub-fund of PWP.

The amounts paid to purchase these investments and proceeds from the sale of these investments are disclosed in the consolidated statement of cash flows.

Note 23. Related party transactions (continued)

30 June 2018

Entity	PIMLs interest %	Fair value of PIMLs investment A\$'000	Net sale proceeds on disposals A\$'000	30 June 2018 distribution receivable A\$'000
Platinum Asia Investments Limited (ASX code: PAI)	8.3	37,800	24,150	n/a
Platinum World Portfolios (PWP)	13.7	63,410	n/a	n/a
Platinum Asia Fund (Quoted Managed Hedge Fund) (ASX code: PAXX)	19.9	19,641	n/a	4,816
Platinum Trust Funds	Less than 1%	194	n/a	21

30 June 2017

Entity	PIMLs interest %	Fair value of PIMLs investment A\$'000
Platinum Asia Investments Limited (ASX code: PAI)	13.9	50,750
Platinum World Portfolios (PWP)	14.5	39,468
Platinum Trust Funds	Less than 1%	107

Other related party transactions

With respect to PWP, PIML has undertaken to limit the annual expenses of each of PWPs sub-funds through the use of a voluntary expense cap, where total expenses of each sub-fund does not exceed a specified limit (for example: for the base fee class(es), the limit or cap is 1.65% of the Net Asset Value of each sub-fund). At 30 June 2018, the total amount reimbursed/paid or payable by PIML to PWP in respect of expenses for the period was A\$8,557 (30 June 2017: \$58,683).

The Company allocated additional rights, via two tranches during the year, to eligible employees under the Deferred Remuneration Plan. In the current year, the amount transferred to the Platinum Employee Share Trust was \$11,873,050 and the Trust still retains \$170,518 of this for future allocation to employees.

On 7 February 2018, the Company registered Platinum GP Pty Limited associated with the launch of the US/Cayman Funds. The Company contributed \$1 as capital in order to register and incorporate the entity.

In the current year, the consolidated entity paid \$50,000 to OneVue Services Pty Limited for the provision of services associated with the enhancement of the Platinum website. OneVue is a related party of the Chairman of Platinum Asset Management Limited, Mr Michael Cole.

Loan Agreements with related parties

There were no formal loan agreements executed with related parties at the current and previous reporting date, but there are intercompany receivables and payables.

Note 24. Disclosure of interests in other entities

Structured entity disclosures (excluding subsidiaries and associates)

A structured entity is an entity that is not part of the consolidated entity, despite one or more entities within the consolidated entity purchasing units or shares in the other (structured) entity. The relevant activities of unconsolidated structured entities are directed by the investment manager by means of contractual arrangements, such as an Investment Management Agreement.

At 30 June 2018, the consolidated entity holds an investment that can be described as a structured entity, via Platinum Investment Management Limited ("PIML") holding investments of less than 1% in each of the Platinum Trust Funds, and for the FY18 year, receiving management and performance fees for its role as investment manager.

The following table provides information in relation to this investment:

	2018 \$'000	2017 \$'000
Net Asset Value attributable to all investors Platinum Trust Funds	<u>18,421,972</u>	<u>16,317,146</u>
Maximum exposure (includes PIMLs interest & fees receivable) Platinum Trust Funds	<u>20,879</u>	<u>21,754</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

There are no guarantees entered into by the parent entity in relation to debts of its subsidiaries, no contingent liabilities and no capital commitments.

ACCOUNTING POLICY

The consolidated entity has applied AASB 12: *Disclosure of Interests in Other Entities*. AASB 12 requires disclosure about the nature of, and risks associated with, the consolidated entity's interest in other entities. An interest in an other entity refers to involvement that exposes the entity to variability of returns from the performance of another (excluding subsidiaries and associates). The consolidated entity will apply the standard to its interest in the Platinum Trust Funds.

Note 25. Commitments

	2018 \$'000	2017 \$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,768	2,057
One to five years	7,796	8,924
Greater than five years	3,422	6,404
	<u>12,986</u>	<u>17,385</u>

On 23 June 2017, the consolidated entity entered into a new lease over the premises it occupies. The lease is due to expire in January 2025.

The consolidated entity has no commitments for significant capital expenditure.

ACCOUNTING POLICY

Platinum Investment Management Limited has entered into a lease agreement for the premises it occupies and pays rent on a monthly basis. Payments made under the operating lease are charged to the consolidated statement of profit or loss and other comprehensive income.

Note 26. Events after the reporting period

Apart from the dividend declared in August 2018, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 27. Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that are of relevance to the consolidated entity but are not mandatory and have not been early adopted for the annual reporting period ended 30 June 2018, and the consolidated entity's assessment of the impact of these issued or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16: Leases

AASB 16 will apply for annual reporting periods commencing 1 January 2019. The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and requires lease assets and lease liabilities to be recognised in the statement of financial position, initially measured at present value of future lease payments. In addition, depreciation of the lease assets and interest on lease liabilities will be recognised in the statement of profit or loss and other comprehensive income and the statement of cash flows will need to separate the total amount of cash paid into a principal portion and interest. This standard has been assessed as increasing the value of the consolidated entity's gross assets and gross liabilities, however the standard has been assessed as not having a material impact on the consolidated entity's net assets, operations or results. The consolidated entity anticipates that the adoption of the standard for annual reporting periods commencing 1 July 2019 will result in increased disclosure.

AASB 15: Revenue from contracts with customers and associated amendments

AASB 15 will apply for annual reporting periods beginning on or after 1 January 2018. AASB 15 will replace AASB 111 and AASB 118. The standard provides 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. Revenue recognised by an asset manager will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur in future periods. This means that performance fees will only be recognised once the contractual measurement period is completed. This is consistent with how performance fees are already recognised in the consolidated entity's accounts. The consolidated entity anticipates that this standard will not have a material impact on the consolidated entity for FY19 or future periods. The consolidated entity will adopt this standard for annual reporting periods commencing 1 July 2018.

AASB 9: Financial Instruments (and applicable amendments)

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It includes revised rules around hedge accounting and impairment. The standard is applicable for annual reporting periods beginning on or after 1 January 2018.

More specifically AASB 9 replaces the classification and measurement model in AASB 139: *Financial Instruments: recognition and measurement* with a new model that classifies financial assets based on a) the business model within which the assets are managed, and b) whether contractual cash flows under the instrument solely represent the payment of principal and interest. Management has assessed the classification and measurement aspects of AASB 9 on the consolidated financial statements. Management expects on adoption, that all financial assets, will remain classified at fair value through profit or loss resulting in no material impact to the financial performance or position of the consolidated entity.

The hedging and impairment aspects of the new standard have also been assessed as having no material impact, as the consolidated entity does not enter into hedging arrangements and is not impacted by the requirement that credit quality should be used as one of the factors in determining write-downs, because the financial assets and liabilities are carried at fair value through profit or loss (or are classified as equity investments in associates).

The consolidated entity expects to adopt this standard for annual reporting periods commencing on 1 July 2018.

There are no other standards that are not yet effective that are expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described under Basis of Preparation to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company and consolidated entity will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors

Michael Cole
Chairman

Andrew Clifford
Director

23 August 2018
Sydney



Independent auditor's report

To the members of Platinum Asset Management Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Platinum Asset Management Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2018
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

Other than those matters set out in our Independence Declaration dated 23 August 2018, we are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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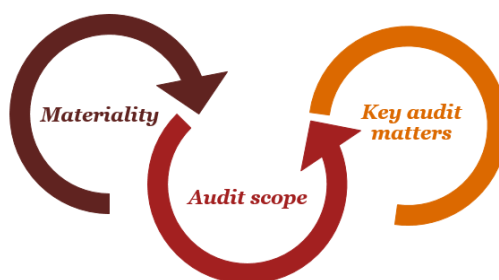
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Our audit approach

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

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

Our audit approach takes into account work undertaken by key third party service providers relevant to our audit. This includes the administrator which provides custodian and administration services for the trusts that the Group manages.



Materiality	Audit scope	Key audit matters
- For the purpose of our audit we used overall Group materiality of \$13.4 million, which represents approximately 5% of the Group's profit before tax. - We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. - We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. - We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. - We conducted an audit of the most financially significant entities within the Group being Platinum Investment Management Limited (PIML), Platinum Asset Proprietary Limited (PAPL) and Platinum Asia Fund (Quoted Managed Hedge Fund) (PAXX). This was supplemented by additional risk focused audit procedures over corporate functions, such as cash and treasury. - In establishing the overall approach to the Group audit, we considered the type of work that needed to be performed by us, as the Group's auditor, or by the component auditors operating under instructions.	- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: - Fee Revenue - Accounting for investment vehicles - These are further described in the <i>Key audit matters</i> section of our report.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Fee Revenue Refer to note 1 - Significant accounting policies Revenue is the Group's most significant account balance in the consolidated statement of profit or loss and other comprehensive income. The Group recognised revenue of \$328.7 million comprising the following revenue streams: • Management fees (\$306.8 million) • Performance fees (\$21.9 million). The terms of these fees are set out in the Group's investment management agreements with mandate clients and trusts. We consider the Group's fee revenue a key audit matter due to the: • Size of the management fee balances. • Higher level of risk related to performance fees arising from the: - Manual processes undertaken by the Group in calculating, reviewing and recording the fees; and - Complexity of performance fee arrangements which involve the Group assessing the performance of relevant assets against a specified benchmark which is calculated using complex formulae. These benchmarks are agreed between the Group and its clients, and set out in relevant investment management agreements.	To assess the design and operating effectiveness of relevant key controls over recognising fee revenue, we performed the following audit procedures amongst others: • Inspected a sample of reconciliations performed by the Group throughout the year to determine whether the Group's records of assets under its management agreed with the administrator's records • Read the administrator's auditor's report as provided to the Group; and • Assessed our ability to place reliance on the administrator's auditor's report by considering the auditor's independence, experience, competency and the results of their procedures. Management fees • To assess the design and operating effectiveness of the third party service providers' relevant controls over the agreeing funds under management (FUM), we inspected the assurance reports provided to the Group by the third party service providers' independent auditors • For management fees received from mandate clients, we tested a sample of fee calculations by agreeing FUM and the fee rate back to the Group's system reports and the relevant investment management agreement respectively. • For management fees received from trusts managed by the Group, we tested a sample of fees recorded by the Group against Net Asset Value data obtained from the third party administrator and fee rates obtained from the Product Disclosure Statements and trust constitutions. Performance fees For a sample of performance fees: • To assess the design and operating effectiveness of the third party service providers' relevant controls over the FUM, we inspected the assurance reports provided to the Group by the third party service providers' independent auditors

Key audit matter	How our audit addressed the key audit matter
Accounting for investment vehicles <i>Refer to note 1 - Significant accounting policies</i> During the year, PIML invested in Platinum International Fund (Quoted Managed Hedge Fund) ("PIXX") and Platinum Asia Fund (Quoted Managed Hedge Fund) ("PAXX") as seed investment for the two newly created Quoted Managed Funds. We considered this a key audit matter given the judgement required in determining the appropriate classification and accounting for the Group's investments in these entities in accordance with Australian Accounting Standards. This included • The level of influence the Group has over each investment vehicle • The extent of exposure to returns or rights to variable returns from the Group's involvement • The ability for the Group to use its influence to affect the amount of the return from each investment. At 30 June 2018, the Group concluded that it controlled PAXX but did not control or influence PIXX.	• We agreed the data used in the fee calculations to the Group's underlying systems, agreed the basis of the calculations to that set out in the relevant client agreements, agreed the benchmark performance to an independent third party source, and recalculated the calculations. We also agreed the performance fees received to the Group's relevant bank statements. To assess the classification and accounting treatment of the investment in each vehicle we performed the following audit procedures amongst others: • Inspected the offer documents, constitutions and the Investment Management Agreement between PIML and each investment vehicle to develop an understanding of the scope of powers and decision making authority held by the Group • Assessed the Group's exposure to each investment vehicles' returns by multiplying the expected management and performance fees by the ownership percentage of the Group.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Chairman's report; Managing Director's Letter to Shareholders; Shareholder information and the Directors' Report, but does not include the financial report and our auditor's report thereon.

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

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



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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf.

This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 11 to 20 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Platinum Asset Management Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

R Balding
Partner

Sydney
23 August 2018